



Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2002

**Town Council
2003-2004**

**Tom Truex, Mayor
Susan Starkey, Vice Mayor
Michael Crowley, Councilmember
Lisa Hubert, Councilmember
Judy Paul, Councilmember**

**Town Administrator
Thomas J. Willi**

**Budget and Finance Director
William F. Underwood II**

**Report Prepared by the
Budget and Finance Department**

TOWN OF DAVIE, FLORIDA

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INTRODUCTORY SECTION

November 14, 2003

The Honorable Members of the Town Council, and Citizens of the Town of Davie, Florida:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2002. We encourage you to thoroughly read this document and take the opportunity to discuss some of the important items it addresses.

While financial activities are never ends unto themselves, their recording and presentation can give the encouraged and knowing reader great insight into the operations of a community. They can highlight both strengths and weaknesses and can illustrate the issues that are, at any time, being addressed by the local government. This marks our fourth year of presenting the CAFR in the new "GASB 34" format. We believe this format better informs readers of government financial statements and more accurately reflects the financial condition and the results of operations for an entity.

This report complies with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements — and Management's Discussion and Analysis — For State and Local Governments*. The new GASB rules allow a delayed implementation of the accounting for infrastructure assets. The Town expects to be able to comply with the implementation timeframe for reporting on those assets.

The Town continues to be in good fiscal health, but we are concerned that our rate of revenue may not be able to keep up with our rate of growth in spending. It will be a continual challenge to maintain a strong financial well being, while providing for a balanced budget. Our best hope is for growth of our tax base.

This community has spent tens of millions of dollars improving the rustic flavor of the Town. Our municipal boundaries are now largely defined, save for an enclave of 5,000 people that may soon be annexed into the Town. This will mean that we will have to turn to other avenues of growth and look to rebirth in our older portions of the Town to provide enhancements to the tax base. During the year, the Town Council was faced with many difficult choices of either maintaining the Town's bucolic image or enhancing its tax base through land use amendments or rezonings. These are always difficult questions, and the Council has had to make difficult choices.

The Town has become an attractive location for light industrial operations. We are pleased that companies such as the pharmaceutical company Andrx has located, and expanded, in Davie. Our eastern side of the Town is undergoing exciting redevelopment, across all land uses. These changes didn't and don't happen overnight. Years of planning and development preceded these efforts, which only now are displaying tangible proof of the effort spent by the Town.

Davie is growing. A recent release of information by the Census Bureau indicates that we have a great diversity in over 75,000 residents throughout the Town. This is a growth rate of over 60% during the last decade. Build out projections have the Town's population estimated to be in the low to mid-90's by the year 2010.

This growth has been accompanied by a tremendous effort to provide for land preservation in the Town. Davie implemented the State's first open space program and has acquired a considerable amount of land and developed connecting trails to its parks and open space areas. Horseback riding, bicycling, and hiking have all become favorite Davie pastimes.

Land preservation efforts in Davie by the County and the State have yielded extraordinary benefits that complement the Town's efforts.

This financial report summarizes our current financial condition. It helps us to understand where we can go and what we can do in the future. Planning is the most important tool available to us and the Town's planning effort includes its finances as well. Our ability to tax is limited. The opportunities provided to municipalities under Florida law are limited, so we must work within the framework we are provided. For Davie to succeed, we must build value in what we have. Redevelopment on the east side will take years to fully implement, but we can already see the value of redevelopment to the tax base as underutilized lands become more valuable. This area is on the edge of substantial redevelopment growth. This is the kind of value we must continually add to the Town, in order to keep our taxes stable and deter and avoid tax increases in the future.

Davie is fortunate to have a significant university presence. Home to Nova Southeastern University (NSU), we are proud of the tremendous expansion that has been undertaken on their campus. The Miami Dolphins training camp, NSU medical school, law school, school of dentistry, research library, and the Wayne Huizenga Graduate School of Business have brought new interest to the lands surrounding the campus. Other college and university campus facilities are also underway or planned by the University of Florida, Florida Atlantic University, Florida International University, and Broward Community College. It is estimated that 40,000 students and faculty a day visit all of these facilities. We have been fortunate to be able to maintain a steady taxing effort for the majority of the last decade.

We know the Town could use additional land uses that encourage office/commercial or light industrial development. The long term financial benefit to the Town has been demonstrated.

Significant Events and Achievements

During the fiscal year the Town issued a \$10 million Public Improvement Revenue bond series that enabled many departments to provide new and expanded infrastructure throughout the Town. Projects included such items as storm water drainage, roadway landscaping, and multiple recreation facilities. Some of the projects from this issue were undertaken this year and we expect all projects to be completed within four years.

The Town's tax base grew by over \$421 million, representing an increase of almost 13% from the previous year. It is unlikely that the Town can maintain this level of growth and we are starting to see signs of slowing in the construction of new properties.

The Water and Sewer system did have higher growth in its connections than it had in the previous year. However, water and sewer operating revenues did not keep pace with increases in water and sewer operating expenses. The Town plans to pursue refinancing of its long term water and sewer debt to reduce expenses in the future. The Town will have to be very careful to continue to control the expenses on the system in order to meet its debt service coverage ratio requirements.

GENERAL INFORMATION

The Town of Davie was one of the first communities in Broward County, Florida. While part of the larger Fort Lauderdale/Hollywood metropolitan area, the Town has maintained much of its pioneering heritage, rustic, and rural lifestyle. Agriculture, though still present and important to the Town, is giving way to higher education facilities and research and development centers. The Town has grown to over 34.5 square miles. The Town's Open Space and Recreational programs were the first of their kind in Florida and they are a source of

great civic pride. With modern port facilities and a world-class airport only moments away, and linked by several interstate and toll highways, the Town has proven to be a mecca for individuals and businesses wishing to be part of the growing South Florida community. Only twenty minutes from Downtown Miami and less than half that to Fort Lauderdale, Davie has capitalized on this central and important location. Industrial and commercial development have been and will continue to be very strong.

REPORTING ENTITY

The activities included in our report are those over which the Town has the ultimate financial accountability. Any activity for which the Town, as a “primary” government, is ultimately financially accountable has been presented within this report. No activity has been excluded which would cause our financial statements to be misleading or incomplete. Certain activities are not included in this report because they do not meet the necessary criteria. For example, in Florida, school boards are independently elected and financially accountable for their finances. As such, the school board would present separate financial statements.

The Town has a Community Redevelopment Agency (CRA). Its purpose is to facilitate redevelopment in certain areas of the Town. It is financed by property tax revenues that are levied by the Town and certain other taxing authorities on the increased taxable values in those targeted areas that exceed a base year amount. This is called the tax increment. The CRA is a component unit of the Town and is therefore included within this report. Its resources are tracked from year to year and its surpluses, if any, are available for purposes approved by the CRA Board and ratified by the Town Council. The Town Council appoints the CRA Board members.

SERVICES PROVIDED BY THE TOWN

The Town provides its residents and businesses with the full range of municipal services contemplated by state law or local charter. Services include police and fire, culture, recreation, community services, licensing and permitting, general administration, water and sewer utilities, public works and maintenance, development and redevelopment services, and code enforcement. Through franchise agreements, the Town also provides garbage disposal, cable television, electricity, towing, and telephone and telegraph services.

GOVERNMENT STRUCTURE

The Town exists as a Council-Administrator form of municipal government. Under Florida law, Davie is considered a Municipal Corporation. The Mayor is elected by all registered voters of the Town, while the four Council members are each elected only by the registered voters of the specific district they are elected to represent. The Mayor serves as chairperson of public meetings and executes certain documents authorized by charter, ordinance, or resolution. Each elected official serves a three-year term of office. The Council appoints the Town Administrator and the Town Attorney. The Town Administrator appoints Department Heads. The Department Heads have the primary responsibility to hire and fire employees, however, the final decision ultimately rests with the Town Administrator. The Town is organized into various Departments as shown in the attached Illustration 1. The Budget and Finance Department, which has the responsibility for preparation of this report, is shown in Illustration 2.

THE TOWN ADMINISTRATOR'S OFFICE

This Office is responsible for leadership and the overall management of the Town. Any policy that the Town Council wishes implemented becomes the responsibility of this Office. Additionally, certain activities such as Research and Development, Community

Redevelopment, Housing and Community Development, Old Davie School Historic Site, Special Projects, Economic Development, and Town Clerk are the responsibility of this Office.

THE BUDGET AND FINANCE DEPARTMENT

This Department is responsible for Financial Administration, Utilities Customer Service, and Purchasing.

THE HUMAN RESOURCES DEPARTMENT

This Department is responsible for Human Resources and Risk Management.

THE DEVELOPMENT SERVICES DEPARTMENT

This Department is responsible for Planning, Zoning, and Land Use activities, Building Permits and Inspections, Engineering, Occupational Licenses, and Code Enforcement.

THE POLICE DEPARTMENT

This Department is responsible for all aspects of Law Enforcement services. Dispatching is provided by the Broward County Sheriff.

THE FIRE DEPARTMENT

This Department is responsible for all Fire and Rescue operations of the Town, Emergency Medical services, and Fire Inspection services. Dispatching is provided by Broward County.

THE PUBLIC WORKS AND CAPITAL PROJECTS DEPARTMENT

This Department is responsible for the Town's facilities and infrastructure other than Water and Sewer.

THE PARKS AND RECREATION DEPARTMENT

This Department is responsible for the recreational and cultural activities of the Town and for the operation of the Town's extensive Open Space program.

THE UTILITIES DEPARTMENT

This Department is in charge of the Town's Water and Sewer plants and operations.

THE INFORMATION SYSTEMS DEPARTMENT

This Department is responsible for the operation and maintenance of the Town's computer and communication systems.

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT, MANAGEMENT RESPONSIBILITY, AND THE ANNUAL FINANCIAL AUDIT

A detailed understanding of the financial position and operating results of the Town is provided in the CAFR. Presented in the footnotes section of the CAFR is a brief description of financial information, management of financial resources and obligations, and control techniques applicable to financial resources, obligations, and information. These notes cover the basis of presentation for the Government-wide Financial Statements and for the Fund Financial Statements, and the financial statement measurement focus and the basis of accounting for the Government-wide Financial Statements and the Fund Financial Statements. Together with the other footnotes, this information will provide useful information to the reader when assessing the CAFR.

Florida Statutes and the Town's Charter require an annual audit of the books of account, financial records, and transactions of all departments of the Town by an independent

certified public accountant selected by the Town Council. While this requirement has been met, it is nonetheless management's responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. We believe the information as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included. It is the Town's practice to fully disclose any item it believes will give the reader a better understanding of the Town's financial standing. When practical, the Town early adopts any new GASB Statement. The Town is an active participant and supporter of both the Government Finance Officers Association of the United States and Canada (GFOA) and the Governmental Accounting Standards Board (GASB) of the Financial Accounting Foundation. We actively and openly support any change recommended by GASB that will enhance the reporting and understanding of local government finance. Additionally, under GASB Statement 34, we now provide as Required Supplementary Information a section for Management's Discussion and Analysis (MD&A). MD&A is designed to be an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions.

Internal Accounting Controls

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized user disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgets and Budgetary Accounting

The Town is legally required to adopt an annual budget for its General Fund. In September, formal public hearings are conducted to obtain taxpayers' comments. Prior to October 1, the budget is legally adopted.

The level of control, the level at which expenditures may not exceed the budget, is at the department level. The Town Administrator is authorized to transfer budget amounts within line items of departments. Any budget amendments between departments or that alter the budget in total must be approved by the Town Council. All unencumbered appropriations lapse at the end of the fiscal period.

The Town used \$131,217 of its budgeted contingency funds. This was less than 1% of all expenditures. The usage of budgeted contingency funds was for various minor reasons. The Town refrains from making end of year adjustments to its originally adopted or amended budget. An account being over or under budget generally does not give the reader any useful information other than the variance to budget. An over budget account may in fact have been "money better spent" because of the activity of the program.

Cash Management and Investment Practices

Throughout its operations, the Town utilizes modern cash management techniques. With the exception of the pension funds and the Community Endowment Fund, the main goal of the Town is preservation of principal. Cash is deposited daily either by the Town for over-the-counter receipts or by the Town's bank through a lock box arrangement. All funds are swept into an account with the State of Florida Board of Administration Investment Pool. Checking accounts are maintained on a "zero balance" basis by the bank and are swept daily with funds provided by the State pool. The bank acts as agent for the Town and can only transfer balances into accounts pre-designated by the Town. The yield is considered acceptable by the Town for the security provided. All investments in the State pool are considered liquid and available for use by the Town.

Pension funds and the Town's Community Endowment Fund strive to achieve growth of funds through investments of Equities and Fixed Income securities. These funds are at risk of loss of principal, but the Town believes that over a very long period of time, a much greater yield will occur to offset any losses that occur from time to time. Without assuming a risk of investment, insufficient capital would accrue to these funds and they would require a greater financial commitment from the Town.

Because the stock market had been providing substantial returns for many years, our defined benefit pension plans had been experiencing returns that exceeded their expectations. This in turn reduced the Town's contribution to those plans. While this positively affected the Town in the short term and our budgets reflected those savings, now the Town must be prepared to increase our budget without raising taxes because of the more recent losses incurred by the market. Our goal will be not to commit to new programs unless we believe a revenue stream will exist in the future to support those programs. We have set a policy of stable taxation in our community and our operating millage has not changed in over 9 years. The last millage rate increase occurred because we eliminated a tax on water service. This shifted the burden from the poor to those with more wealth.

As required by Florida law, the Town has adopted a formal investment policy for each of its funds.

Debt Administration

The Town believes that debt is a necessary and integral part of conducting its operations on a financially sound and equitable basis to all taxpayers. Since governmental funds do not utilize a "depreciation" concept, debt is used to provide intergenerational equity of the expense of capital items to the period in which the benefit of those items accrue to the community. For a community that is growing such as the Town, this debt burden assures that new residents and businesses pay for their fair share of Town facilities. The Town's goal is to maintain General Fund debt service, exclusive of voter-approved debt and special assessment debt, in the range of 7%-10% of the General Fund budget, net of debt service. Further, the Town believes that investment practices and debt administration should be considered together in managing interest rate exposures and risk. We believe looking at these activities together can achieve a lower overall net expense or greater new investment income. Our current practice of utilizing variable rate debt in much of our debt portfolio has provided an "internal hedge" against interest rate movements. We generally can expect about a 100 basis point spread between our variable rate debt and our variable rate investments. This provides us the benefit of lower interest rate on debt without the exposure to interest rate movements. There have been only a handful of months over the more than 10 years we have utilized this practice that our spread was negative. The benefits to the Town have been very favorable. It is important to keep this strategy in mind when we feel pressure to utilize our reserves to pay for new programs in an effort to temporarily avoid raising taxes.

When reserves are utilized to avoid the inevitable tax increase, we lose our investment income exponentially and we would also increase our exposure to interest rate movements. This would force us to convert our debt or otherwise spend money on interest rate swaps to mitigate that risk. Both risk mitigation strategies would cost us money and add to a burden that otherwise should be avoided.

In non-governmental funds, the Town's practice is to use debt only when it can be demonstrated that specific users will be charged for and can repay that debt.

In all cases, the Town strives to achieve the overall lowest cost of debt while maintaining equity amongst taxpayers. In evaluating fixed rate debt versus variable rate debt, the Town takes bids from institutions and evaluates the best overall bid in terms of assumptions as to what will take place in the future.

Risk Management

The Town employs a risk manager within the Human Resources Department. For liability and workers' compensation, the Town participates in a risk pool. This pool rates each entity based upon experience. The Town self-insures the first \$25,000 of each workers' compensation claim. Casualty and losses carry deductible limits of \$1,000 per incident. General liability claims are fully insured. Actuarially, we believe this will save the Town money. Some insurance is not provided by the Florida League of Cities. In those cases, the Town has the League secure quotes for those individual policies.

The Town is keeping the Self-Insurance Fund active for medical coverage. The Town returned to self-insurance in the summer of 2002, and engaged United Healthcare as the Town's third party administrator.

The Town has a safety committee that reviews all accidents, recommends preventative measures, and gives other advice that should help hold down the cost of all insurance.

The Town's practice is to identify all risk exposure and either fund the exposure, set acceptable limits for the exposure, or insure the exposure.

FINANCIAL STATEMENT FORMAT

This report is presented in four main sections: introductory, financial, statistical, and compliance. The introductory section is designed to provide an overview and general understanding of the report. The financial section provides to the reader a detailed presentation of the financial position and results of operations for fiscal year 2002. The reader should pay particular attention to the footnotes and the MD&A of the financial section since current reporting standards require only footnote disclosure of some things which can and do have a significant impact on the future financial resources of the Town. The statistical section provides some general information the reader will find useful in gauging the financial statements to the historical and non-financial measures detailed in that section. The compliance section provides information about grants received by the Town and compliance with applicable laws, rules, regulations, contracts, and grants, as well as information and recommendations regarding the Town's system of internal controls.

The financial section is divided into four main subsections:

- 1) **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A).** MD&A is designed to be an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. It is the Town's financial managers who are knowledgeable of, and responsible for, the presentation of the transactions, events, and conditions that govern the Town's operations. MD&A provides the financial managers with

the opportunity to present both a short and a long-term analysis of the government's activities.

2) **BASIC FINANCIAL STATEMENTS.** This section is further divided into three major subsections: (a) Government-Wide Financial Statements that provide easy to read information about the Town's Primary Government activities (broken down further into Governmental Activities and Business Type Activities), (b) Fund Financial Statements that provide the more traditional "Fund Balance" approach, and (c) Notes to the Financial Statements, which provide critical details on information contained within the report.

3) **REQUIRED SUPPLEMENTARY INFORMATION.** This section provides budgetary compliance information, valuable pension schedules, and Fiduciary Fund information, which has been omitted from the Government-wide Financial Statements, but which information is indispensable in evaluating financial condition.

4) **COMBINING FINANCIAL STATEMENTS.** This section provides combining statements on internal service fund activity which has been eliminated in the Basic Financial Statements, as well as combining statements for the Town's Fiduciary Funds.

The reader is encouraged to carefully read each section, including the MD&A which provides key highlights and valuable analysis of the report.

Acknowledgments

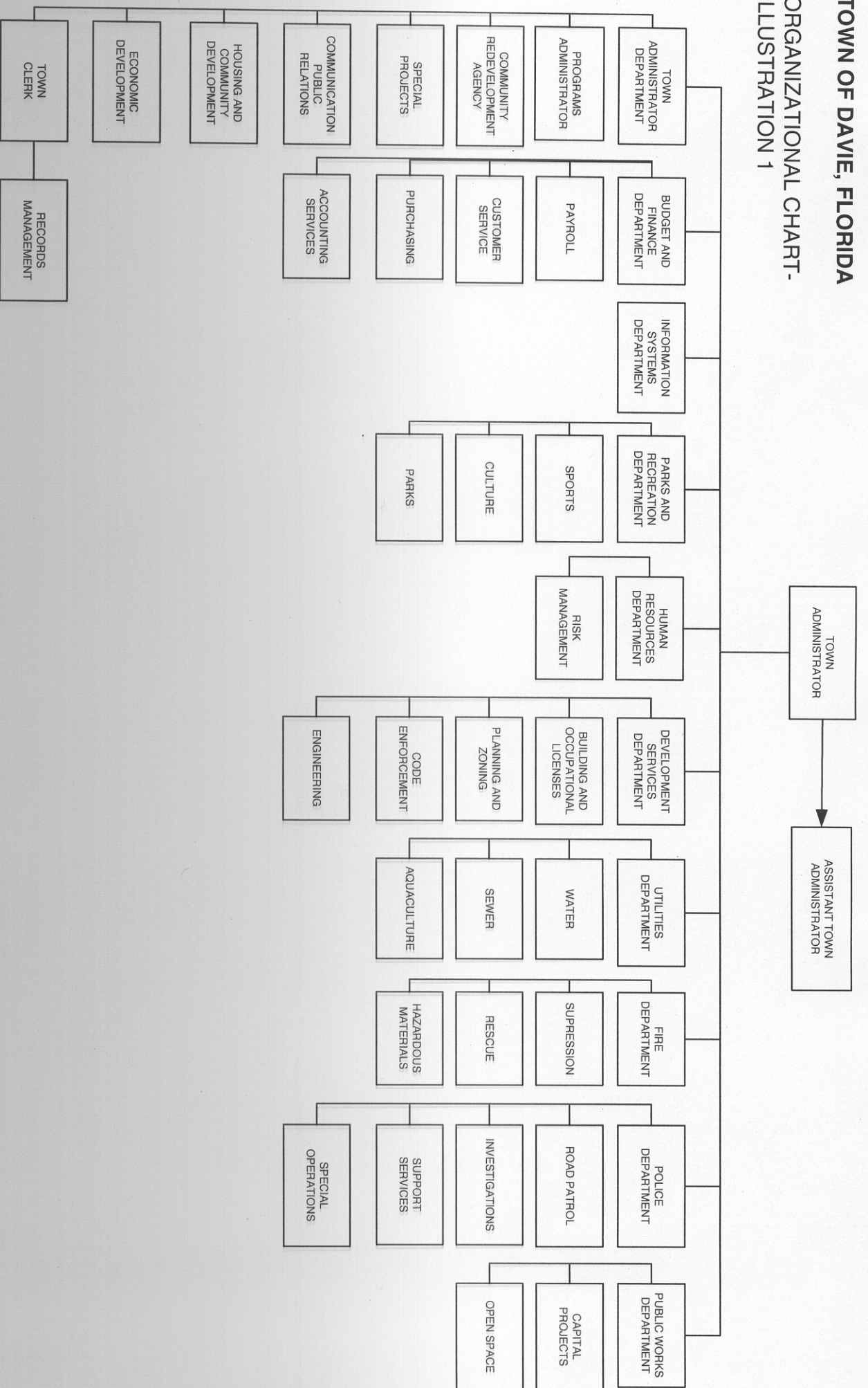
We greatly appreciate the time and effort expended in the preparation of this report by our Budget and Finance Department staff. We feel very fortunate that all of our staff has been with us for a very long time and that they care very much about their work and what it means to our community. Without their daily efforts, our work in preparing this document would be a much greater burden. We hope that you are as proud of them as we are and we cannot begin to express to you how indispensable they are to us and to you. They have our utmost confidence and they take their work seriously and display genuine professionalism. They are what we would hope all government employees should be. We again express our thanks for the cooperation received from our independent auditors, Rachlin Cohen & Holtz LLP, and thank the Town Council for their interest and support in planning and conducting the financial operations of the Town.

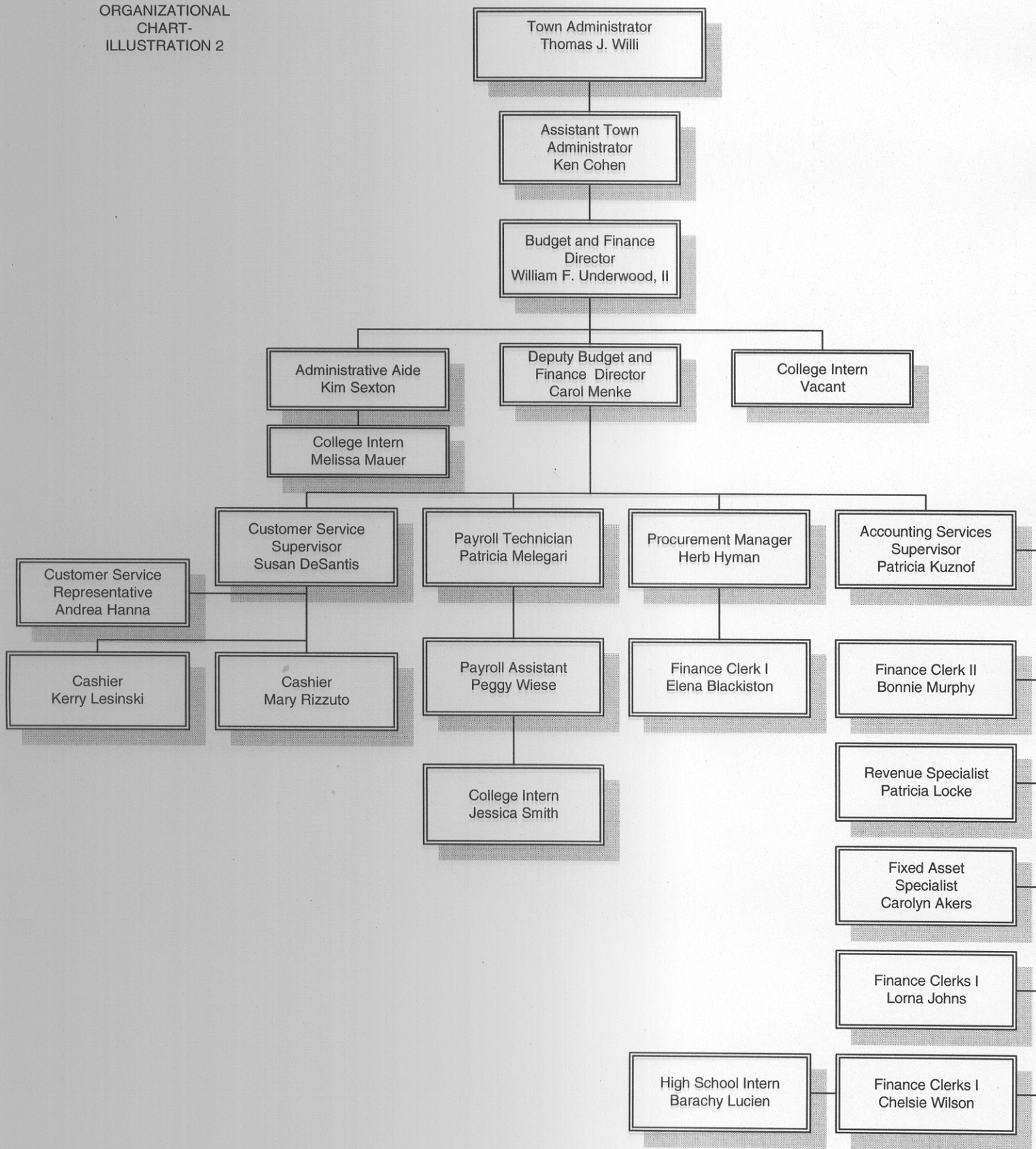
Thomas J. Willi, Town Administrator

William F. Underwood II, Budget and Finance Director

TOWN OF DAVIE, FLORIDA

ORGANIZATIONAL CHART- ILLUSTRATION 1





TOWN OF DAVIE, FLORIDA

LIST OF PRINCIPAL OFFICIALS

2002 – 2003 Town Council

| | |
|-----------------|---------------|
| Harry Venis | Mayor |
| Geraldine Clark | Vice Mayor |
| Judy Paul | Councilmember |
| Susan Starkey | Councilmember |
| Tom Truex | Councilmember |

2003 – 2004 Town Council

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|-----------------|
| Tom Truex |
| Susan Starkey |
| Michael Crowley |
| Lisa Hubert |
| Judy Paul |

Administrative Officials

| | |
|---------------------------|--|
| Thomas J. Willi | Town Administrator |
| Ken Cohen | Assistance Town Administrator |
| William F. Underwood II | Budget and Finance Director |
| Mark Kutney | Development Services Director |
| Don DiPetrillo | Fire Chief |
| Mark Alan | Human Resources Director |
| Frank Apicella | Information Systems Director |
| Dennis Andresky | Parks and Recreation Director |
| John George | Police Chief |
| Bonnie Stafiej | Special Projects Director |
| Russell Muniz | Town Clerk |
| Dan Colabella | Utility Director |
| Bruce Bernard | Public Works/Capital Projects Director |
| Shirley Taylor-Prakett | Housing and Community Development Director |
| William Allen | Redevelopment Administrator |
| Monroe Kiar | Town Attorney |
| Rachlin Cohen & Holtz LLP | Town Auditors |

FINANCIAL SECTION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2002, which, collectively, comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Town of Davie Police Employees Pension Trust Fund or the Town of Davie Firefighters' Pension Plan. The Police Employees Pension Trust Fund and the Firefighters' Pension Plan, which together represent 100% of the assets and revenues of the fiduciary fund totals, are included in the fund financial statements. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Davie Police Officers' Retirement System and the Firefighters' Pension Plan, are based solely on the reports of the other independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinions, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town, as of September 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2003 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an internal part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida
Page Two

Management's Discussion and Analysis and the required supplementary information on pages 3-13 and pages 57-61, respectively, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information identified in the table of contents as combining financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections, and the Schedule of State and County Assistance has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Fort Lauderdale, Florida
November 14, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The Town of Davie's discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, or conditions. It is intended to provide a broad overview on short-term and long-term analysis of the Town's activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the fourth year that the Town has presented, under this early implementation, its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34 — *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* (Statement 34). As noted later in this report, infrastructure reporting has not yet been implemented, as allowed under the implementation provisions of Statement 34. The Town expects to have infrastructure reporting added in the FY2003 report.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information (RSI) that is provided in addition to this MD&A.

Understanding the Basic Financial Statements

GASB Statement 34 represents a monumental change from the way in which government financial statements are recorded and presented. It now provides for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a combined overview of the Town's financial position and result of operations eliminating interfund activities and "other people's money" such as pension funds, which can mislead users when incorporated in a combined manner. The Government-wide Financial Statements also differentiate between Governmental and Business-type Activities, further assisting the reader in their evaluation.

The new reporting model requires the use of accrual accounting (which focuses on economic resources) at the top most level, while maintaining modified accrual accounting (which focuses on current financial resources —budgeted resources) at the individual fund level. This is an important change in governmental accounting. For the first time, the impact of long-term financial decisions can be more properly matched to the period in which the expense or revenue is more properly attributed. In short, more fairness in presentation is achieved and the impacts of long-term decisions are promptly recorded as the transactions occurred, as opposed to the traditional method of recording them when the bill is paid. A good example of this is the recording of compensated absences such as vacation time. Heretofore, this time was "expensed" as paid, not when earned. As a result, employees could accrue hundreds or thousands of hours in the past without that expense being attributed to the taxpayers who benefited from those employees services. Future taxpayers would be stuck with the

bill when the employees left, but they would not have benefited from those employee's services. This is but one of many examples of "expenses" that have traditionally not been matched to the period of benefit. As a result, poor decision making can occur and problems may not be identified in a timely manner.

Readers who want to know about "budgetary performance" will find that information available to you in the required supplementary information following the notes to the financial statements. This new reporting model provides more useful and relevant information than in prior years. An overview discussion of the different sections of this new reporting model follow.

Government-Wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. Both statements represent an overview of the Town as a whole, separating its operations between Governmental and Business-type activities. All information is presented utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense attributed. The Town's Community Redevelopment Agency is shown as a blended component unit. Fiduciary funds, such as pension trust funds, are precluded from these Government-wide Financial Statements because they represent money and funds legally set aside for use by the employee groups they benefit. Their assets and income do not flow through these statements, nor are the liabilities for which taxpayers may ultimately be responsible included. Though Florida law requires municipalities to fund pension plans on an actuarially sound basis, it is important for the reader to study the Fund Financial Statements (as explained in the following section) as well as the footnotes and statistical sections of this report. Also combined into the Government-wide Financial Statements are the Internal Service Funds of the Town.

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to a bottom line for the Town and its governmental and business-type activities. This statement, for the first time, combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets (note: infrastructure will be added at a later date, see "Infrastructure Assets" below) and long-term obligations.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type and component unit), which are provided by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services and the local taxing effort necessary to sustain each of those activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The Governmental Funds presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith. The Fund Financial Statements also allow the government to address its Fiduciary (or

Trust) Funds summarized by type (pension, investment and private purpose trusts). While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements. While the Total column on the Business-type Fund Financial Statements is the same as the Business-type column on the Government-Wide Financial Statements, after adjusting for internal service funds, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column (in the Government-wide statements).

Infrastructure Assets

While the Town has elected to early implement the major model portions of GASB Statement 34 (for 1998/99 versus 2002/03), the Town has deferred implementing the infrastructure portion related to general governmental activities until ready to address the valuation of infrastructure assets. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise, the Town expects to spend tremendous effort to build this information and properly account for it. The Town has spent several million dollars over the last few years, with significant reservations of fund balances in the General Fund earmarked for even more improvements. While repairs, reconditioning, and replacement of certain assets is likely to be needed after this implementation, we feel that, for the most part, the Town's infrastructure assets are in good condition with funding sources continually earmarked for these specific purposes.

Analysis Of The Overall Financial Position And Results Of Operations

In evaluating the financial position and short-term financial performance of the Town, two tools are particularly valuable: The Statement of Net Assets and the Statement of Activities.

It is useful for the reader to compare the current year with the prior year. This aids in spotting trends and other areas of concern or interest. For ease of relative comparisons, we include the percent change from one year to another.

Net Assets of the Town represents the difference between Assets and Liabilities of the Town using the economic resources measurement focus and accrual basis of accounting. Had the Town accounted for its infrastructure assets, Net Assets Invested In Capital Assets, Net of Related Debt, would have been significantly higher.

Table 1

Comparative Net Assets Table

Stated in Thousands

| | Governmental Activities | | | Business-type Activities | | | Total Government | | |
|-----------------------------|--------------------------------|----------------|-----------|---------------------------------|---------------|-------------|-------------------------|----------------|-----------|
| | 2002 | 2001 | Change | 2002 | 2001 | Change | 2002 | 2001 | Change |
| Assets | | | | | | | | | |
| Current and Other | \$52,096 | \$47,716 | 9% | \$28,103 | \$29,735 | -5% | \$80,199 | \$77,451 | 4% |
| Capital Assets, Net | 62,205 | 57,637 | 8% | 18,922 | 19,858 | -5% | 81,127 | 77,495 | 5% |
| Total Assets | 114,301 | 105,353 | 8% | 47,025 | 49,593 | -5% | 161,326 | 154,946 | 4% |
| Liabilities | | | | | | | | | |
| Current | 6,528 | 9,287 | -30% | 1,201 | 1,390 | -14% | 7,729 | 10,677 | -28% |
| Long-Term | | | | | | | | | |
| Due Within 1 Year | 6,321 | 5,077 | 25% | 258 | 1,135 | -77% | 6,579 | 6,212 | 6% |
| Due in More than 1 Year | 47,193 | 41,421 | 14% | 21,015 | 22,626 | -7% | 68,208 | 64,047 | 6% |
| Total Liabilities | 60,042 | 55,785 | 8% | 22,474 | 25,151 | -11% | 82,516 | 80,936 | 2% |
| Net Assets | | | | | | | | | |
| Invested in Capital | | | | | | | | | |
| Assets, Net of Related Debt | 27,743 | 26,085 | 6% | -2,092 | -2,808 | 25% | 25,651 | 23,277 | 10% |
| Restricted | | | | | | | | | |
| Renewal and repl. | - | - | - | 2,834 | 2,551 | 11% | 2,834 | 2,551 | 11% |
| Capital projects | 13,098 | 12,894 | 2% | 1,237 | 1,237 | 0% | 14,335 | 14,131 | 1% |
| Debt service | 681 | 832 | -18% | - | - | - | 681 | 832 | -18% |
| Open space | 1,828 | 1,842 | -1% | - | - | - | 1,828 | 1,842 | -1% |
| Law enforcement | 521 | 1,102 | -53% | - | - | - | 521 | 1,102 | -53% |
| Impact fees | 1,801 | 1,640 | 10% | - | - | - | 1,801 | 1,640 | 10% |
| Community redevelop. | 893 | 682 | 31% | - | - | - | 893 | 682 | 31% |
| Development related | 3,292 | 3,478 | -5% | - | - | - | 3,292 | 3,478 | -5% |
| Unrestricted | 4,402 | 1,013 | 335% | 22,572 | 23,462 | -4% | 26,974 | 24,475 | 10% |
| Total Net Assets | 54,259 | 49,568 | 9% | 24,551 | 24,442 | 0% | 78,810 | 74,010 | 6% |

In general terms, the Town's Total Assets increased by 4%, despite the minor decrease in the business-type activities. A greatly reduced rate structure, wherein rates were reduced 28% to customers of the Town's Water and Sewer system, was adopted by the Town in a prior fiscal year and continues to place noticeable financial pressure on the system.

The Governmental Activities of the Town saw a 9% increase in Current and Other Assets while the current liabilities of those activities dropped by 30%. Capital Assets increased by 8%, net of accumulated depreciation. Total Liabilities increased by 8%, primarily because of a new debt issue. Unrestricted Net Assets now stand at \$4.402 million, a \$3.389 million increase from the previous year.

Business-type activities, almost entirely the Town's Water and Sewer system showed a decrease in Current Assets and a 5% change in Total Assets. Current Liabilities decreased by 14% and Total Liabilities decreased by about 11%. Capital Asset Investment, net of related debt, increased by 25%.

Renewal and Replacement (R&R) increased by about 11%. This represents funds immediately available for system improvements. The Total Net Assets for the Business-type Activities increased minimally by about 0.4% from the prior year. The reduced rates charged to customers have negatively impacted the system, but not to the point where it is in peril or would require subsidization from other sources.

On a Total Government basis, Current Assets increased by 4% while current liabilities decreased by 28%. Obviously, the Town is clearly able to meet its short-term obligations. Total Net Assets increased by 6% for the year.

Table 2
Comparative Statement of Activities
Stated in Thousands

| | Governmental Activities | | | Business-Type Activities | | | Total Government | | |
|---------------------------------------|--------------------------------|---------------|------------|---------------------------------|--------------|-------------|-------------------------|---------------|------------|
| | 2002 | 2001 | Change | 2002 | 2001 | Change | 2002 | 2001 | Change |
| Revenues: | | | | | | | | | |
| Program Revenues | | | | | | | | | |
| Charges for Services | \$10,098 | \$9,050 | 12% | \$6,576 | \$6,871 | -4% | \$16,674 | \$15,921 | 5% |
| Operating Grants and Contributions | 3,982 | 3,825 | 4% | - | - | - | 3,982 | 3,825 | 4% |
| Capital Grants and Contributions | 1,547 | 249 | 521% | 939 | 193 | 387% | 2,486 | 442 | 462% |
| Total Program Revenues | 15,627 | 13,124 | 19% | 7,515 | 7,064 | 6% | 23,142 | 20,188 | 15% |
| General Revenues | | | | | | | | | |
| Property Taxes, Operating | 18,838 | 16,732 | 13% | - | - | - | 18,838 | 16,732 | 13% |
| Property Taxes, Debt Service | 2,422 | 2,824 | -14% | - | - | - | 2,422 | 2,824 | -14% |
| Utility Taxes | 5,093 | 7,611 | -33% | - | - | - | 5,093 | 7,611 | -33% |
| Communication Svc Tax | 4,086 | - | - | - | - | - | 4,086 | - | - |
| Franchise Fees | 5,561 | 6,280 | -11% | - | - | - | 5,561 | 6,280 | -11% |
| Unrestricted Grants and Contributions | 6,383 | 5,592 | 14% | - | - | - | 6,383 | 5,592 | 14% |
| Investment Income | 240 | 3,001 | -92% | 502 | 1,192 | -58% | 742 | 4,193 | -82% |
| Miscellaneous | 606 | 598 | 1% | - | - | - | 606 | 598 | 1% |
| Transfers | -122 | -833 | -85% | 122 | 833 | -85% | - | - | - |
| Total General Revenue | 43,107 | 41,805 | 3% | 624 | 2,025 | -69% | 43,731 | 43,830 | 0% |
| Total Revenues | 58,734 | 54,929 | 7% | 8,139 | 9,089 | -10% | 66,873 | 64,018 | 4% |

Table 2
Continued
Comparative Statement of Activities
Stated in Thousands

| | Governmental Activities | | | Business-type Activities | | | Total Government | | |
|---------------------------------|--------------------------------|---------------|------------|---------------------------------|---------------|------------|-------------------------|---------------|-----------|
| | 2002 | 2001 | Change | 2002 | 2001 | Change | 2002 | 2001 | Change |
| Program Expenses | | | | | | | | | |
| General Government | 4,294 | 3,906 | 10% | - | - | - | 4,294 | 3,906 | 10% |
| Development Services | 5,934 | 4,760 | 25% | - | - | - | 5,934 | 4,760 | 25% |
| Engineering | 301 | 299 | 1% | - | - | - | 301 | 299 | 1% |
| Public Works | 1,943 | 2,251 | -14% | - | - | - | 1,943 | 2,251 | -14% |
| Police | 21,178 | 19,193 | 10% | - | - | - | 21,178 | 19,193 | 10% |
| Fire Rescue | 10,684 | 9,468 | 13% | - | - | - | 10,684 | 9,468 | 13% |
| Parks and Recreation | 8,238 | 7,335 | 12% | - | - | - | 8,238 | 7,335 | 12% |
| Interest | 1,471 | 2,030 | -28% | - | - | - | 1,471 | 2,030 | -28% |
| Water and Sewer | - | - | - | 7,970 | 7,908 | 1% | 7,970 | 7,908 | 1% |
| Aquaculture | - | - | - | 60 | 315 | -81% | 60 | 315 | -81% |
| Total Expenses | 54,043 | 49,242 | 10% | 8,030 | 8,223 | -2% | 62,073 | 57,465 | 8% |
| Change in Net Assets | 4,691 | 5,687 | -18% | 109 | 866 | -87% | 4,800 | 6,553 | -27% |
| Net Assets, October 1 | 49,568 | 43,881 | 13% | 24,442 | 23,576 | 4% | 74,010 | 67,457 | 10% |
| Net Assets, September 30 | 54,259 | 49,568 | 9% | 24,551 | 24,442 | 0% | 78,810 | 74,010 | 6% |

Activities in the Town continue to follow previous years' trends, with modest growth in sources of revenue and markedly increasing expenses associated with most activities. The Statement of Activities illustrates some particular areas that need to be further discussed.

The Governmental Activities represent the lion's share of all activity within the Town reflecting the Town's growing character. The Business-type Activities primarily reflect the Water and Sewer operations of the Town and show a relatively stagnant posture. Again, this reflects the results of reducing utility rates by 28% several years ago.

Program revenues increased by 19% in the Governmental Activities, with a 12% increase coming from direct charges to users of specific services, primarily building inspections and engineering services while both operating and capital grants increased.

Governmental Activities General Revenues increased by about 3% overall, with large increases in Operating Property Taxes. The operating millage rate has not changed for nine years. Franchise Fees decreased by 11%, and Utility Taxes declined 33%, almost entirely due to the implementation of the State's Communication Services Tax. Investment Income fell by 92%, due to lower interest rates and lower investment balances.

The Business Activities of the Town had a modest year as charges for services dropped but higher developers contributions for connections to our system increased resulting in a 6% overall increase in

program revenue. While development is strong in the Town, it is primarily occurring in the part of the Town serviced by other utility companies.

Program Expenses in the Governmental Activities increased by 10% overall, with large percentage increases in Development Services, Fire, Parks and Recreation, and Police. These increases are due largely to increased service efforts because as the Town continues to undergo development it adds correspondingly to public safety and recreation services.

Program Expenses in Business-type Activities decreased by 2% overall. As for the water and sewer operations, rate reductions have made operations in the Water and Sewer system financially tight, the Town has had to be very careful in the daily expenses incurred on behalf of the system.

Overall, Net Assets increased by about 6% for the year, with a 9% increase noted for Governmental Activities.

Expenses within the Town continue to grow at a rate which will soon out pace the revenue growth. Much of the expenditure growth has been masked by the availability of increased revenues associated with strong construction activity and annexations of additional tax base areas. Our opportunities for growth through annexation are now significantly restricted as the Town has only one remaining area of possible annexation that would yield net revenues.

Individual Fund Performance

Governmental Funds

In the General Fund, the Town's revenues exceeded its expenditures by almost \$268 thousand. Fund Balance increased by about \$6 million primarily because the Town borrowed nearly \$9.7 million to pay for projects and due to a \$2.1 million prior period adjustment for the reversal of short-term accrued compensated absences. Further, discussion on the particulars will be found below in the Budget Variance Section.

The Community Redevelopment Agency had an increase in their Fund Balance of about \$171 thousand while spending over \$944 thousand on improvements in the redevelopment area. This fund is beginning to show tremendous growth because of the increased values now occurring with the defined area.

The Community Endowment Fund decreased by \$1.2 million in Fund Balance. The amount available in this fund for Community Obligations now stands at almost \$3.3 million.

The Capital Projects Fund provided projects of about \$6.6 million to the community this year, compared with \$10 million in the previous year. This continues a decade long capital improvements program that has largely been financed with long-term debt. Much of the activity for the year resulted from projects associated with a parks and recreation bond issue.

The Vehicle Maintenance Fund reflected Operating Income that added over \$1.4 million to Net Assets of that fund. In the near future, the Town will utilize a large portion of those Net Assets to construct

desperately needed fleet maintenance facilities and expansion of fleet vehicles. Money appropriated for FY2003 for vehicles approximated \$1.1 million. Vehicle charge rates to departments have not changed. A new garage facility is expected during FY2004 and will probably cost about \$1.5 million to \$2 million. All of this will come from the net assets of the fund and they should be sufficient to cover all anticipated outlays without affecting working capital needs.

The Self-Insurance Fund added about \$927 thousand to its Net Assets, again improving this funds ability to handle larger losses and assume more risk if, actuarially, that proves more financially attractive to the Town. Claims expense was not as great as anticipated either actuarially or realized, since the self-insured plan did not start until July. Fund Net Assets stand at about \$5 million.

The Information Systems Fund consumed over \$72 thousand to its Net Assets, lowering it to nearly \$900 thousand. This fund has not been accumulating enough resources to sustain its operations and future years contributions from other funds will be increased. Planned improvements to information systems will not be able to be accommodated from within this fund without significant increases in internal charges. This would have a negative impact on budget operations. Fund charges were not increased in FY02.

The Building Maintenance Fund, the youngest of all the Town's internal service funds, had operations that almost broke even, losing only about \$900. The total Net Assets of this fund now stand at about \$500 thousand. It will still take several more years for this fund to accumulate the capital necessary to adequately address the Town's facility needs.

The use of these funds has served to insulate recurring capital replacement needs from the volatile budgetary process. As a result, the Town's needs for vehicles, information systems, and building component replacement and maintenance have been adequately addressed. Management of these oft-neglected needs has been very effective.

Business-type Activities

The Town's Water and Sewer system provided Operating Income of about \$1.2 million (down about \$400 thousand from the previous year) that resulted in a primary Net Revenue Bond Coverage of .93x. Rates in the system have been predicated on coverage of 1.15x, with the legal requirement being 1.10x. The previous years' coverage was 1.27x. In FY98, the Town lowered its Water and Sewer rates by 28% as a matter of public policy. The Town does not draw revenue from the Water and Sewer Fund to pay for expenses in the Town's General Fund. The Town's practice has been to provide this service in a quality manner at an affordable price and not to make "excessive" profits. Coverage prior to the rate reduction had been approaching 2.0x. Net Assets, Unrestricted, in the fund are about \$22 million. The system did not generate enough income, before Capital Contributions, to cover its financing activities within this system. Rate increases are not being contemplated by the Town at this time, but may become necessary if development activity within the system declines. Because coverage is tight on this fund, constant management of the financial operations is required.

The Aquaculture Fund continued to lose money on operations, with an operating loss of approximately \$55 thousand dollars. The fund recognized a transfer in (presented as a special item) of about \$122 thousand from the Community Endowment for the previous advances which the

Aquaculture Fund was determined to be unable to repay. This brought the Net Assets up to nearly \$37 thousand from a negative \$29 thousand in the prior year. Working capital for this fund as needed on a reduced level is still provided for by the Community Endowment Fund.

Fiduciary Funds

The Town's pension funds posted reductions of nearly \$3.5 million to the net assets of the plans due to depreciation in the fair market value of the plans' holdings of \$6.7 million as of September 30. The Net Assets held for Pension Benefits of the various trusts total about \$47 million. The nation's adverse economic conditions continue to put pressure on these funds and the Town will see sizable increases in its required contributions to the plans once the market value declines are reflected in updated actuarial valuations. Substantial improvements to benefits for both Police and Fire plans in prior years were in large part funded with the increases in the market value of the plans' investments and although the benefits now remain in place, market value growth is no longer supporting the benefits.

Analysis of Significant Budget Variations

Budget variance reporting is only included for the General Fund. Summarized below are the significant variances accompanied by an explanation:

- Communications Services Tax, Favorable \$745 thousand variance. Attributed to an expanded tax base.
- Interest, Unfavorable \$1.333 million. Attributed to reduced principal and lower rates of return.
- General Government, Expenditures, Favorable \$420 thousand variance. Associated primarily with Administrative Services and Parks and Recreation activity that did not occur when anticipated.
- Police Department, Operating Expenditures, Unfavorable \$672 thousand variance. Mostly attributed to amounts related to higher than anticipated vehicle maintenance charges.
- Fire Department, Personnel Service, Unfavorable \$699 thousand variance. Attributed to higher than budgeted overtime expenses.
- Public Works, Total Expenditures, Favorable \$377 thousand variance. Attributed to budgeted but unused personnel services, and operating expenditure projects which were not completed during the fiscal year.
- Impact Fee Reserves, "Favorable" \$776 thousand variance. This represents amounts set aside in the budget to offset anticipated revenues which are restricted as to use.
- Contingencies, "Favorable" \$69 thousand variance. This represents a budgetary fund balance addition.

Significant Capital Assets and Long-Term Debt Activity

The Town issued \$10 million in long-term debt during the year. As a policy, debt is issued as part of a long-term financing mechanism for almost all capital projects or significant capital outlay items. The variable rate portion of the debt portfolio is designed to lessen interest rate risk by hedging against variable rate investments, while allowing for a cheaper cost of funds. Variable rate debt is matched to the Town's variable rate investments with the goal of achieving a 100 basis point spread. Historical spread levels have been, on average, about 90%. This internal hedge insulates that part of our

asset/liability mix from interest rate movements and allows the Town to finance in a market that is historically more attractive over the life of the bonds. During the year, the Town retired approximately \$5.7 million in outstanding debt.

The Town spent approximately \$6.6 million in Governmental Funds Capital Assets. About \$232 thousand in new Capital Assets was provided for in the Water and Sewer system, but this comes on the heels of significant improvements in the most recent years and also in advance of other planned improvements in the near term. This amount does not include significant amounts spent on repairs and maintenance but which do not qualify for categorization as a Capital Asset.

Capital Contributions from developers in the Water and Sewer system amounted to about \$939 thousand, representing mostly contributions-in-aid of construction.

Economic Factors and Next Year's Budget

In the conduct of municipal government, various lawsuits, commitments, and contingencies will arise. Significant disclosure of these items appear in the accompanying footnotes to this report.

Florida has many limiting measures on residential property taxes, and all affect the Town. The first \$25,000 of assessed value is exempt from taxation on homestead property. Additionally, homeowners over age 65 and who have income less than \$20,000 are able to avoid taxes on the next \$25,000 of assessed value. Florida's Constitution was amended with the Save Our Homes amendment. Homestead property is now limited to a maximum 3% increase in assessed value per year, or less if inflation is less. Davie is almost two-thirds residential in character and much of the new housing stock is being built at the high end of the market. That part of the Town's tax base will not grow as quickly as the Town's budget.

Additionally, the Town has a Community Redevelopment Agency that is making improvements on the east-side of the Town. This agency encompasses an area which has most of the industrial lands within the Town. The growth in this area's tax base will inure to the Component Unit and not the Governmental Activities of the Town, restricting the Town's revenue growth potential even further.

Annexations are almost complete in the Town with but one enclave remaining. The Town will almost certainly be annexing this area in the next couple of years and will provide some breathing room against these budget pressures. The Town is in need of better land use mixes in its tax base to overcome these obstacles.

The Town has, over the years, implemented meaningful leave time caps for its employees, except in its two most expensive sources: Police and Fire.

Significant pressure has been and will continue to be felt by the public employee bargaining groups to improve pay, benefits, and working conditions. Most employee bargaining groups are politically active and the Town has historically approved significant increases in pay, benefits, and working conditions. This has exerted and will continue to inflate costs at a pace which exceed the growth in the revenue to pay for those costs.

The Town is located within Broward County in South Florida. The area has seen substantial growth in the last few years. Davie is a desirable location for both residences and businesses. The “leading indicators” of growth, such as platting of parcels of lands, site plans of lands, requested land use and zoning changes, have all been very strong, indicating the outlook for continued growth is favorable. The Town is very heavily weighted towards residential properties and the mix of land use could be a problem in the future. The Town currently levies about half its legally available millage rate.

The Town was involved in a dispute with a neighboring municipality regarding the provision of water and sewer services and expended significant sums of money on the issue. This matter will continue into the future and may result in the Town acquiring the system. This would greatly impact the Town's finances and would almost certainly require significant capital improvements that could only be accessed through the public finance markets.

The Town's fiscal year 2003 budget reflects an unchanged operating millage rate in keeping with the Town's tax stability plan. Because of continued development and increases in other revenue sources to the Town, the Town was able to budget for an increase in expenditures on public safety departments in fiscal year 2003 without raising the millage rate.

Contacting The Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Town of Davie Budget and Finance Department at 6591 Orange Drive, Davie, Florida, 33314, or call (954) 797-1050.

BASIC FINANCIAL STATEMENTS

TOWN OF DAVIE

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2002

| | Governmental <u>Activities</u> | Business-type <u>Activities</u> | <u>Total</u> |
|---|-----------------------------------|------------------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Pooled cash and cash equivalents | \$ 42,596,209 | \$ 19,433,212 | \$ 62,029,421 |
| Investments | 4,377,455 | - | 4,377,455 |
| Receivables, net | 4,623,594 | 1,659,720 | 6,283,314 |
| Prepaid items | 469,727 | - | 469,727 |
| Inventory | 15,579 | 150,692 | 166,271 |
| Restricted pooled cash and cash equivalents | - | 4,949,911 | 4,949,911 |
| Restricted receivables | - | 701,944 | 701,944 |
| Other assets | 13,168 | 1,207,248 | 1,220,416 |
| Capital assets not being depreciated | 17,063,089 | 1,042,324 | 18,105,413 |
| Capital assets, net of accumulated depreciation | 45,142,090 | 17,880,124 | 63,022,214 |
| Total assets | <u>114,300,911</u> | <u>47,025,175</u> | <u>161,326,086</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable and accrued liabilities | 4,432,552 | 323,262 | 4,755,814 |
| Deferred revenue | 899,920 | - | 899,920 |
| Estimated insurance claims | 599,386 | - | 599,386 |
| Other liabilities | 596,233 | - | 596,233 |
| Deposits | - | 878,165 | 878,165 |
| Noncurrent liabilities: | | | |
| Due within one year | 6,320,858 | 257,564 | 6,578,422 |
| Due in more than one year | 47,193,043 | 21,014,926 | 68,207,969 |
| Total liabilities | <u>60,041,992</u> | <u>22,473,917</u> | <u>82,515,909</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 27,743,273 | (2,092,478) | 25,650,795 |
| Restricted for: | | | |
| Renewal and replacement | - | 2,834,252 | 2,834,252 |
| Capital projects | 13,098,288 | 1,237,494 | 14,335,782 |
| Debt service | 681,000 | - | 681,000 |
| Open space | 1,828,383 | - | 1,828,383 |
| Law enforcement | 520,712 | - | 520,712 |
| Police impact fees | 1,231,864 | - | 1,231,864 |
| Fire impact fees | 569,150 | - | 569,150 |
| Community redevelopment agency | 892,712 | - | 892,712 |
| Development services, building | 2,047,665 | - | 2,047,665 |
| Development services, engineering | 1,244,223 | - | 1,244,223 |
| Unrestricted | 4,401,649 | 22,571,990 | 26,973,639 |
| Total net assets | <u>\$ 54,258,919</u> | <u>\$ 24,551,258</u> | <u>\$ 78,810,177</u> |

See notes to basic financial statements.

TOWN OF DAVIE, FLORIDA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2002

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Assets | | |
|--|---------------|----------------------------|--|--|---|---------------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 4,293,745 | \$ 393,071 | \$ 346,301 | \$ - | \$ (3,554,373) | \$ - | \$ (3,554,373) |
| Development services | 5,933,961 | 4,375,221 | 90,293 | 643,640 | (824,807) | - | (824,807) |
| Engineering | 301,427 | - | - | - | (301,427) | - | (301,427) |
| Public works | 1,943,438 | 10,425 | 1,513,634 | 208,085 | (211,294) | - | (211,294) |
| Police | 21,178,189 | 1,034,939 | 1,539,112 | 141,139 | (18,462,999) | - | (18,462,999) |
| Fire rescue | 10,684,060 | 3,646,995 | 149,263 | - | (6,887,802) | - | (6,887,802) |
| Parks and recreation | 8,238,172 | 637,553 | 343,546 | 554,362 | (6,702,711) | - | (6,702,711) |
| Interest on long-term debt | 1,471,005 | - | - | - | (1,471,005) | - | (1,471,005) |
| Total governmental activities | 54,043,996 | 10,098,204 | 3,982,149 | 1,547,226 | (38,416,417) | - | (38,416,417) |
| Business-type activities: | | | | | | | |
| Water and sewer | 7,970,124 | 6,570,725 | - | 939,056 | - | (460,343) | (460,343) |
| Aquaculture | 60,259 | 4,922 | - | - | - | (55,337) | (55,337) |
| Total business-type activities | 8,030,383 | 6,575,647 | - | 939,056 | - | (515,680) | (515,680) |
| Total | \$ 62,074,379 | \$ 16,673,851 | \$ 3,982,149 | \$ 2,486,282 | (38,416,417) | (515,680) | (38,932,097) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 18,837,975 | - | 18,837,975 |
| Property taxes, levied for debt service | | | | | 2,421,566 | - | 2,421,566 |
| Utility taxes | | | | | 5,092,988 | - | 5,092,988 |
| Communications services tax | | | | | 4,086,272 | - | 4,086,272 |
| Franchise fees on gross receipts | | | | | 5,560,921 | - | 5,560,921 |
| Grants and contributions not restricted to specific programs | | | | | 6,383,304 | - | 6,383,304 |
| Unrestricted investment earnings | | | | | 240,288 | 502,647 | 742,935 |
| Miscellaneous | | | | | 606,394 | - | 606,394 |
| Special item - forgiveness of debt | | | | | (122,017) | 122,017 | - |
| Total general revenue | | | | | 43,107,691 | 624,664 | 43,732,355 |
| Change in net assets | | | | | 4,691,274 | 108,984 | 4,800,258 |
| Net assets, October 1 | | | | | 49,567,645 | 24,442,274 | 74,009,919 |
| Net assets, September 30 | | | | | \$ 54,258,919 | \$ 24,551,258 | \$ 78,810,177 |

See notes to basic financial statements.

TOWN OF DAVIE, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2002

| | <u>General</u> | <u>Community Endowment</u> | <u>Capital Projects</u> | <u>Community Redevelopment Agency (a nonmajor fund)</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--------------------------------|-----------------------------|---|---|
| <u>ASSETS</u> | | | | | |
| Pooled cash and cash equivalents | \$ 28,103,091 | \$ 130,451 | \$ 2,695,825 | \$ 1,145,189 | \$ 32,074,556 |
| Investments | - | 4,377,455 | - | - | 4,377,455 |
| Receivables: | | | | | |
| Property taxes, net | 161,854 | - | - | - | 161,854 |
| Utility and franchise taxes, net | 1,559,243 | - | - | - | 1,559,243 |
| Roadway assessment | 124,779 | - | - | - | 124,779 |
| Other | 336,382 | - | - | - | 336,382 |
| Due from other governments | 2,390,977 | - | - | - | 2,390,977 |
| Due from other funds | 1,176,226 | - | - | - | 1,176,226 |
| Prepaid items | 18,244 | - | - | - | 18,244 |
| Total assets | <u>\$ 33,870,796</u> | <u>\$ 4,507,906</u> | <u>\$ 2,695,825</u> | <u>\$ 1,145,189</u> | <u>\$ 42,219,716</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 3,481,628 | 50,000 | \$ 446,016 | \$ 64,775 | \$ 4,042,419 |
| Other liabilities | 596,233 | - | - | - | 596,233 |
| Deferred revenue | 899,920 | - | - | - | 899,920 |
| Due to other funds | - | 1,176,226 | - | - | 1,176,226 |
| Due to pension plan | 350,281 | - | - | - | 350,281 |
| Total liabilities | <u>5,328,062</u> | <u>1,226,226</u> | <u>446,016</u> | <u>64,775</u> | <u>7,065,079</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Capital projects | 10,848,479 | - | - | - | 10,848,479 |
| Community obligations | - | 3,281,680 | - | - | 3,281,680 |
| Debt service | 681,000 | - | - | - | 681,000 |
| Open space program | 1,828,383 | - | - | - | 1,828,383 |
| Encumbrances | 1,117,312 | - | 1,954,649 | 187,702 | 3,259,663 |
| Law enforcement | 520,712 | - | - | - | 520,712 |
| Community redevelopment agency | - | - | - | 892,712 | 892,712 |
| Development services - building | 2,047,665 | - | - | - | 2,047,665 |
| Development services - engineering | 1,244,223 | - | - | - | 1,244,223 |
| Prepaid items | 18,244 | - | - | - | 18,244 |
| Police impact fees | 1,231,864 | - | - | - | 1,231,864 |
| Fire impact fees | 569,150 | - | - | - | 569,150 |
| Compensated absences | 2,171,000 | - | - | - | 2,171,000 |
| Unreserved, reported in: | | | | | |
| General fund | 6,264,702 | - | - | - | 6,264,702 |
| Capital projects fund | - | - | 295,160 | - | 295,160 |
| Total fund balances | <u>28,542,734</u> | <u>3,281,680</u> | <u>2,249,809</u> | <u>1,080,414</u> | <u>35,154,637</u> |
| Total liabilities and fund balances | <u>\$ 33,870,796</u> | <u>\$ 4,507,906</u> | <u>\$ 2,695,825</u> | <u>\$ 1,145,189</u> | <u>\$ 42,219,716</u> |

See notes to basic financial statements.

TOWN OF DAVIE, FLORIDA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS GOVERNMENTAL FUNDS

SEPTEMBER 30, 2002

| | |
|--|---------------|
| Fund balances - total governmental funds | \$ 35,154,637 |
|--|---------------|

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

| | | |
|-------------------------------|---------------------|------------|
| Governmental capital assets | \$ 92,609,717 | |
| Less accumulated depreciation | <u>(30,404,538)</u> | 62,205,179 |

| | |
|--|-----------|
| Bond interest payable not reported in the governmental funds | (164,472) |
|--|-----------|

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the governmental funds.

| | | |
|------------------------------|---------------|--------------|
| Governmental bonds payable | (48,430,123) | |
| Compensated absences | (4,393,017) | |
| Unamortized bond issue costs | <u>13,168</u> | (52,809,972) |

Internal service funds are used by management to charge the cost of certain
activities to individual funds. The assets and liabilities of the internal service
funds that are reported with governmental activities, other than capital assets
are already included in capital asset category above.

| |
|------------------|
| <u>9,873,547</u> |
|------------------|

| | |
|--------------------------------------|----------------------|
| Net assets - governmental activities | <u>\$ 54,258,919</u> |
|--------------------------------------|----------------------|

TOWN OF DAVIE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2002

| | <u>General</u> | <u>Community Endowment</u> | <u>Capital Projects</u> | <u>Community Redevelopment Agency (a nonmajor fund)</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|-------------------|--------------------------------|-----------------------------|---|---|
| Revenues: | | | | | |
| Intergovernmental | \$ 9,565,842 | \$ - | \$ - | \$ - | \$ 9,565,842 |
| Property taxes | 20,165,636 | - | - | 1,093,905 | 21,259,541 |
| Communications services tax | 4,086,272 | - | - | - | 4,086,272 |
| Utility taxes | 5,092,988 | - | - | - | 5,092,988 |
| Franchise fees | 5,560,921 | - | - | - | 5,560,921 |
| Licenses and permits | 3,980,727 | - | - | - | 3,980,727 |
| Charges for services | 4,462,648 | - | - | - | 4,462,648 |
| Fines and forfeitures | 1,139,464 | - | - | - | 1,139,464 |
| Fire rescue assessments | 1,654,108 | - | - | - | 1,654,108 |
| Miscellaneous | 1,513,987 | - | - | 500 | 1,514,487 |
| Investment income (loss) | 1,000,554 | (781,071) | - | 20,805 | 240,288 |
| Total revenues | <u>58,223,147</u> | <u>(781,071)</u> | <u>-</u> | <u>1,115,210</u> | <u>58,557,286</u> |
| Expenditures: | | | | | |
| General government: | | | | | |
| Town administration department: | | | | | |
| Personnel services | 862,021 | - | - | - | 862,021 |
| Operating expenditures | 910,219 | - | - | - | 910,219 |
| Capital outlay | 1,254 | - | 7,572 | - | 8,826 |
| | <u>1,773,494</u> | <u>-</u> | <u>7,572</u> | <u>-</u> | <u>1,781,066</u> |
| Budget and finance department: | | | | | |
| Personnel services | 737,762 | - | - | - | 737,762 |
| Operating expenditures | 226,050 | - | - | - | 226,050 |
| Capital outlay | - | - | 84,075 | - | 84,075 |
| | <u>963,812</u> | <u>-</u> | <u>84,075</u> | <u>-</u> | <u>1,047,887</u> |
| Administrative services department: | | | | | |
| Personnel services | 806,190 | - | - | - | 806,190 |
| Operating expenditures | 646,795 | - | - | - | 646,795 |
| Capital outlay | 76,853 | - | - | - | 76,853 |
| | <u>1,529,838</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,529,838</u> |
| Development services department: | | | | | |
| Personnel services | 4,343,374 | - | - | 195,974 | 4,539,348 |
| Operating expenditures | 638,578 | 300,000 | - | 748,145 | 1,686,723 |
| Capital outlay | 531,469 | - | - | - | 531,469 |
| | <u>5,513,421</u> | <u>300,000</u> | <u>-</u> | <u>944,119</u> | <u>6,757,540</u> |
| Engineering department: | | | | | |
| Personnel services | 170,647 | - | - | - | 170,647 |
| Operating expenditures | 120,424 | - | - | - | 120,424 |
| | <u>291,071</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>291,071</u> |
| Parks and recreation department: | | | | | |
| Personnel services | 2,962,056 | - | - | - | 2,962,056 |
| Operating expenditures | 2,484,625 | - | - | - | 2,484,625 |
| Capital outlay | 104,376 | - | 5,435,293 | - | 5,539,669 |
| | <u>5,551,057</u> | <u>-</u> | <u>5,435,293</u> | <u>-</u> | <u>10,986,350</u> |
| Total general government | <u>15,622,693</u> | <u>300,000</u> | <u>5,526,940</u> | <u>944,119</u> | <u>22,393,752</u> |

Continued

TOWN OF DAVIE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

(Continued)

GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2002

| | <u>General</u> | <u>Community Endowment</u> | <u>Capital Projects</u> | <u>Community Redevelopment Agency (a nonmajor fund)</u> | <u>Total Governmental Funds</u> |
|--|----------------------|--------------------------------|-----------------------------|---|---|
| Expenditures: | | | | | |
| Public safety: | | | | | |
| Police department: | | | | | |
| Personnel services | \$ 17,038,412 | \$ - | \$ - | \$ - | \$ 17,038,412 |
| Operating expenditures | 4,543,964 | - | - | - | 4,543,964 |
| Capital outlay | 178,848 | - | - | - | 178,848 |
| | <u>21,761,224</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>21,761,224</u> |
| Fire department: | | | | | |
| Personnel services | 9,372,624 | - | - | - | 9,372,624 |
| Operating expenditures | 1,233,929 | - | - | - | 1,233,929 |
| Capital outlay | 84,260 | - | 529,335 | - | 613,595 |
| | <u>10,690,813</u> | <u>-</u> | <u>529,335</u> | <u>-</u> | <u>11,220,148</u> |
| Total public safety | <u>32,452,037</u> | <u>-</u> | <u>529,335</u> | <u>-</u> | <u>32,981,372</u> |
| Public works: | | | | | |
| Personnel services | 1,070,129 | - | - | - | 1,070,129 |
| Operating expenditures | 1,451,099 | - | - | - | 1,451,099 |
| Capital outlay | 13,469 | - | 535,284 | - | 548,753 |
| Total public works | <u>2,534,697</u> | <u>-</u> | <u>535,284</u> | <u>-</u> | <u>3,069,981</u> |
| Debt service: | | | | | |
| Principal retirements | 5,773,333 | - | - | - | 5,773,333 |
| Interest | 1,559,675 | - | - | - | 1,559,675 |
| Bond issue costs | 13,168 | - | - | - | 13,168 |
| Total debt service | <u>7,346,176</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,346,176</u> |
| Total expenditures | <u>57,955,603</u> | <u>300,000</u> | <u>6,591,559</u> | <u>944,119</u> | <u>65,791,281</u> |
| Excess (deficiency) of revenues over expenditures | <u>267,544</u> | <u>(1,081,071)</u> | <u>(6,591,559)</u> | <u>171,091</u> | <u>(7,233,995)</u> |
| Other financing sources (uses): | | | | | |
| Bonds issued | 9,720,000 | - | - | - | 9,720,000 |
| Transfers in | - | - | 5,933,248 | - | 5,933,248 |
| Transfers out | <u>(5,933,248)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,933,248)</u> |
| Total other financing sources (uses) | <u>3,786,752</u> | <u>-</u> | <u>5,933,248</u> | <u>-</u> | <u>9,720,000</u> |
| Special item - forgiveness of debt | <u>-</u> | <u>(122,017)</u> | <u>-</u> | <u>-</u> | <u>(122,017)</u> |
| Net change in fund balances | <u>4,054,296</u> | <u>(1,203,088)</u> | <u>(658,311)</u> | <u>171,091</u> | <u>2,363,988</u> |
| Fund balance as previously reported, October 1 | 22,317,438 | 4,484,768 | 2,908,120 | 909,323 | 30,619,649 |
| Prior period adjustment (Note Q) | <u>2,171,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,171,000</u> |
| Fund balance, as restated, October 1 | <u>24,488,438</u> | <u>4,484,768</u> | <u>2,908,120</u> | <u>909,323</u> | <u>32,790,649</u> |
| Fund balance, September 30 | <u>\$ 28,542,734</u> | <u>\$ 3,281,680</u> | <u>\$ 2,249,809</u> | <u>\$ 1,080,414</u> | <u>\$ 35,154,637</u> |

See notes to basic financial statements.

TOWN OF DAVIE, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2002

Amounts reported for governmental activities in the
statement of activities (Page 15) are different because:

Net change in fund balances - total governmental funds (Page 19) \$2,363,988

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is depreciated
over their estimated useful lives.

The details of the differences are as follows:

| | | |
|-------------------------------------|--------------------|-----------|
| Expenditures for the capital assets | \$ 8,034,943 | |
| Less current year depreciation | <u>(4,072,284)</u> | 3,962,659 |

Revenues (donated land held for sale) in the statement of activities
that do not provide current financial resources are not reported
as revenue in the funds 300,000

The issuance of long-term debt (e.g. revenue bonds) provides current
financial resources to governmental funds, while the repayment of the
principal of long-term debt consumes the current financial resources
of governmental funds. Neither transaction, however, has any effect
on net assets. Also, governmental funds report the effect of issuance
costs, premiums, discounts, and similar items when debt is first issued
whereas these amounts are deferred and amortized in the statement of
activities.

The details of the differences are as follows:

| | | |
|--------------------|------------------|-------------|
| Bonds issued | (9,720,000) | |
| Bond issue costs | 13,168 | |
| Principal payments | <u>5,773,333</u> | (3,933,499) |

Some expenses reported in the statement of activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds.

The details of the differences are as follows:

| | | |
|--|---------------|-----------|
| Change in long-term compensated absences | (284,736) | |
| Change in accrued interest | <u>88,760</u> | (195,976) |

Internal service funds are used by management to charge the cost
of certain activities to individual funds. The net revenue of the
internal service funds is reported with governmental activities. 2,194,102

Change in net assets of governmental activities (Page 15) \$4,691,274

TOWN OF DAVIE, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2002

| | Business-type activities | | | Governmental |
|---|--------------------------|--------------------|---------------------|----------------------|
| | <u>Enterprise funds</u> | | | Activities- |
| | Water | Aquaculture | | Internal |
| | <u>and Sewer</u> | <u>(a nonmajor</u> | <u>Total</u> | Service |
| | | <u>fund)</u> | | <u>Funds</u> |
| <u>ASSETS</u> | | | | |
| Current Assets: | | | | |
| Pooled cash and cash equivalents | \$ 18,665,727 | \$ - | \$ 18,665,727 | \$ 11,289,138 |
| Receivables | 1,659,720 | - | 1,659,720 | 50,359 |
| Inventory | 150,692 | - | 150,692 | 15,579 |
| Total assets | <u>20,476,139</u> | <u>-</u> | <u>20,476,139</u> | <u>11,806,559</u> |
| Noncurrent assets: | | | | |
| Restricted pooled cash and cash equivalents | 4,949,911 | - | 4,949,911 | - |
| Restricted accounts receivable | 701,944 | - | 701,944 | - |
| Other assets | 1,207,248 | - | 1,207,248 | - |
| Capital assets: | | | | |
| Land | 1,042,324 | - | 1,042,324 | - |
| Improvements to land | 2,332,748 | - | 2,332,748 | - |
| Buildings and equipment | 33,336,094 | 71,675 | 33,407,769 | 7,729,671 |
| Less accumulated depreciation | <u>(17,827,707)</u> | <u>(32,686)</u> | <u>(17,860,393)</u> | <u>(4,476,979)</u> |
| Total capital assets, net | <u>18,883,459</u> | <u>38,989</u> | <u>18,922,448</u> | <u>3,252,692</u> |
| Total noncurrent assets | <u>25,742,562</u> | <u>38,989</u> | <u>25,781,551</u> | <u>3,252,692</u> |
| Total assets | <u>46,218,701</u> | <u>38,989</u> | <u>46,257,690</u> | <u>15,059,251</u> |
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | <u>322,013</u> | <u>1,249</u> | <u>323,262</u> | <u>292,141</u> |
| Noncurrent liabilities: | | | | |
| Deposits | 878,165 | - | 878,165 | - |
| Compensated absences | 257,564 | - | 257,564 | - |
| Bonds payable | 21,014,926 | - | 21,014,926 | 193,000 |
| Total noncurrent liabilities | <u>22,150,655</u> | <u>-</u> | <u>22,150,655</u> | <u>193,000</u> |
| Total liabilities | <u>22,472,668</u> | <u>1,249</u> | <u>22,473,917</u> | <u>1,165,527</u> |
| <u>NET ASSETS</u> | | | | |
| Investment in capital assets, net of related debt | (2,131,467) | 38,989 | (2,092,478) | 2,978,692 |
| Restricted for renewal and replacement | 2,834,252 | - | 2,834,252 | - |
| Restricted for capital projects | 1,237,494 | - | 1,237,494 | - |
| Unrestricted (deficit) | <u>21,805,754</u> | <u>(1,249)</u> | <u>21,804,505</u> | <u>10,915,032</u> |
| Total net assets | <u>\$ 23,746,033</u> | <u>\$ 37,740</u> | <u>23,783,773</u> | <u>\$ 13,893,724</u> |

Explanation of difference between proprietary funds statement
of net assets and the statement of net assets:

Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance and insurance, to individual funds. The portion attributable to business-type activities is reflected here and the residual assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

767,485
\$ 24,551,258

See notes to basic financial statements.

TOWN OF DAVIE, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2002

| | Business-type activities | | |
|--|--------------------------|-------------------------------------|----------------------|
| | <u>Enterprise funds</u> | | |
| | Water and Sewer | Aquaculture (a nonmajor fund) | Total |
| Operating revenues: | | | |
| Charges for services | \$ 6,570,725 | \$ 4,922 | \$ 6,575,647 |
| Operating expenses: | | | |
| Personal services | 2,019,984 | - | 2,019,984 |
| Professional fees | 170,277 | 30,852 | 201,129 |
| Heat, light and power | 552,996 | 17,550 | 570,546 |
| Supplies and materials | 326,535 | - | 326,535 |
| Maintenance | 547,466 | 4,395 | 551,861 |
| Other | 587,980 | - | 587,980 |
| Depreciation and amortization | 1,211,582 | 7,462 | 1,219,044 |
| Total operating expenses | <u>5,416,820</u> | <u>60,259</u> | <u>5,477,079</u> |
| Operating income (loss) | <u>1,153,905</u> | <u>(55,337)</u> | <u>1,098,568</u> |
| Nonoperating revenues (expenses): | | | |
| Interest income | 502,647 | - | 502,647 |
| Interest expense | <u>(2,640,105)</u> | <u>-</u> | <u>(2,640,105)</u> |
| Total nonoperating expenses | <u>(2,137,458)</u> | <u>-</u> | <u>(2,137,458)</u> |
| Loss before contributions and special item | (983,553) | (55,337) | (1,038,890) |
| Capital contributions | 939,056 | - | 939,056 |
| Special item - forgiveness of debt | <u>-</u> | <u>122,017</u> | <u>122,017</u> |
| Change in net assets | (44,497) | 66,680 | 22,183 |
| Total net assets (deficit), October 1 | <u>23,790,530</u> | <u>(28,940)</u> | <u>23,761,590</u> |
| Total net assets, September 30 | <u>\$ 23,746,033</u> | <u>\$ 37,740</u> | <u>\$ 23,783,773</u> |

See notes to basic financial statements.

TOWN OF DAVIE, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2002

| | Business-type activities | | | Governmental |
|---|--------------------------|---------------------|----------------------|----------------------|
| | <u>Enterprise funds</u> | | | Activities- |
| | | Aquaculture | | Internal |
| | <u>Water</u> | (a nonmajor | <u>Total</u> | Service |
| | <u>and Sewer</u> | <u>fund)</u> | | <u>Funds</u> |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 6,592,437 | \$ 4,922 | \$ 6,597,359 | \$ 7,720,156 |
| Cash paid to suppliers | (2,618,957) | (122,658) | (2,741,615) | (4,524,045) |
| Cash paid to employees | (1,508,249) | - | (1,508,249) | (367,133) |
| Net cash provided (used) by operating activities | <u>2,465,231</u> | <u>(117,736)</u> | <u>2,347,495</u> | <u>2,828,978</u> |
| Cash flows from noncapital financing activities: | | | | |
| Transfer from other fund | - | 122,017 | 122,017 | - |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | (232,284) | (4,281) | (236,565) | (1,170,678) |
| Proceeds from issuance of long-term debt | - | - | - | 280,000 |
| Principal retirements of long-term debt | (2,330,000) | - | (2,330,000) | (81,000) |
| Interest paid on long-term debt | (2,925,534) | - | (2,925,534) | (9,055) |
| Capital contributed by developers | 876,173 | - | 876,173 | - |
| Net cash used by capital and related financing activities | <u>(4,611,645)</u> | <u>(4,281)</u> | <u>(4,615,926)</u> | <u>(980,733)</u> |
| Cash flows from investing activities: | | | | |
| Interest on investments | <u>502,647</u> | <u>-</u> | <u>502,647</u> | <u>-</u> |
| Net increase (decrease) in pooled cash and cash equivalents | (1,643,767) | - | (1,643,767) | 1,848,245 |
| Pooled cash and cash equivalents, October 1 | <u>25,259,405</u> | <u>-</u> | <u>25,259,405</u> | <u>9,440,893</u> |
| Pooled cash and cash equivalents, September 30 | <u>\$ 23,615,638</u> | <u>\$ -</u> | <u>\$ 23,615,638</u> | <u>\$ 11,289,138</u> |
| Pooled cash and cash equivalents per statement of net assets: | | | | |
| Unrestricted | \$ 18,665,727 | \$ - | \$ 18,665,727 | \$ 11,289,138 |
| Restricted | <u>4,949,911</u> | <u>-</u> | <u>4,949,911</u> | <u>-</u> |
| | <u>\$ 23,615,638</u> | <u>\$ -</u> | <u>\$ 23,615,638</u> | <u>\$ 11,289,138</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income (loss) | <u>\$ 1,153,905</u> | <u>\$ (55,337)</u> | <u>\$ 1,098,568</u> | <u>\$ 2,308,277</u> |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 1,211,582 | 7,462 | 1,219,044 | 847,123 |
| Loss on disposal of assets | - | - | - | 19,406 |
| Provision for bad debts | 27,996 | - | 27,996 | - |
| Change in assets and liabilities: | | | | |
| Increase in receivables | (2,810) | - | (2,810) | (39,983) |
| Decrease in inventory | 14,100 | - | 14,100 | 544 |
| (Increase) decrease in prepaid items and other assets | 20,672 | - | 20,672 | (263,870) |
| Increase (decrease) in accounts payable, accrued liabilities and compensated absences | 15,266 | (69,861) | (54,595) | (42,519) |
| Increase in deposits | <u>24,520</u> | <u>-</u> | <u>24,520</u> | <u>-</u> |
| Total adjustments | <u>1,311,326</u> | <u>(62,399)</u> | <u>1,248,927</u> | <u>520,701</u> |
| Net cash provided (used) by operating activities | <u>\$ 2,465,231</u> | <u>\$ (117,736)</u> | <u>\$ 2,347,495</u> | <u>\$ 2,828,978</u> |

See notes to basic financial statements.

TOWN OF DAVIE, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2002

| | Pension Trust <u>Funds</u> |
|---|----------------------------------|
| <u>ASSETS</u> | |
| Pooled cash and cash equivalents | \$ 2,539,107 |
| Investments, at fair value | 47,875,926 |
| Receivables: | |
| Interest and dividends | 270,541 |
| Contributions | 515,993 |
| Due from broker | <u>178,345</u> |
| Total assets | <u>51,379,912</u> |
| <u>LIABILITIES AND NET ASSETS</u> | |
| Liabilities: | |
| Prepaid Town contributions | 17,095 |
| Due to broker | 1,260,366 |
| Accounts payable | 51,025 |
| DROP payable | <u>3,471,824</u> |
| Total liabilities | <u>4,800,310</u> |
| Net assets held in trust for pension benefits | <u>\$ 46,579,602</u> |

See notes to basic financial statements.

TOWN OF DAVIE, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

YEAR ENDED SEPTEMBER 30, 2002

| | Pension Trust Funds |
|---|---------------------------|
| ADDITIONS | |
| Contributions: | |
| Town | \$ 2,603,649 |
| Plan members | 698,639 |
| State | <u>755,900</u> |
| Total contributions | <u>4,058,188</u> |
| Investment income (loss): | |
| Net depreciation in fair value of investments | (6,759,428) |
| Interest and dividends | <u>1,648,318</u> |
| | (5,111,110) |
| Less investment expenses | <u>285,703</u> |
| Net investment loss | <u>(5,396,813)</u> |
| Total additions | <u>(1,338,625)</u> |
| DEDUCTIONS | |
| Benefits | 1,960,890 |
| Refunds of contributions | 7,160 |
| Administrative expenses | <u>218,142</u> |
| Total deductions | <u>2,186,192</u> |
| Change in net assets | (3,524,817) |
| Net assets, October 1 | <u>50,104,419</u> |
| Net assets, September 30 | <u>\$ 46,579,602</u> |

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the Town of Davie, Florida, conform to accounting principles generally accepted in the United States as applied to governmental entities. In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This Statement provides for significant changes in financial reporting. As a part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation. The Town elected to early implement the basic model beginning with FY 1998/99 and would hope to early implement the infrastructure-related portion in a subsequent year. The following notes to the basic financial statements are an integral part of the Town's basic financial statements.

1. Reporting Entity

The Town was first incorporated in 1925 and was subsequently dissolved as a municipal corporation by the State of Florida when local residents failed to adopt necessary taxing powers. The Town was reincorporated in 1961 and exists as a Council-Administrator form of municipal government. All registered voters elect the Mayor and four Councilmembers; each of the four Councilmembers represents a specific district. The Mayor serves as chairperson of public meetings and executes certain documents authorized by charter, ordinance, or resolution. Each elected official serves a three-year term of office. Each year, the Council elects a Vice Mayor who serves in the capacity of the Mayor when the Mayor is unable to perform his or her duties.

The Town provides its residents and businesses with the full range of municipal services contemplated by state law or local charter. Included are police and fire services, culture, recreation, community services, licensing and permitting, general administration, water and sewer utilities, public works and maintenance, and development services and code enforcement. Through franchise agreements, the Town also provides garbage disposal, cable television, electricity, towing, and telephone and telegraph services.

As required by accounting principles generally accepted in the United States, these financial statements present the Town and its component unit, an entity for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit. The Town of Davie Community Redevelopment Agency (CRA), although an entity legally separate from the Town, is governed by the Town Council. The CRA's own seven member board, appointed by the Town Council, serves in the capacity of an advisory board since the CRA's annual budget, contracts, grants and all other actions must be authorized directly by resolutions of the Town Council. In addition, the Town has issued bonds to finance CRA projects and is financially responsible for the CRA. Therefore, for financial reporting purposes, the CRA is reported as if it were part of the Town's operations and included within the Town's reporting entity as a special revenue fund. The CRA is the Town's only component unit.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. While the previous model emphasized fund types, the new reporting model focuses on the Town as a whole and on individual major funds. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected on a full accrual, economic resource basis.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are very similar to the financial statements presented in the previous model. Emphasis is on the major funds in either the governmental or business-type categories.

The governmental funds major fund statements, in the fund financial statements, are presented on a current financial resource measurement focus and use the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the Town's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level.

The Town's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Presentation

The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GOVERNMENTAL FUNDS

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the Town:

General Fund

The *General Fund* is the general operating fund of the Town. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses, fixed charges, and capital improvement costs not paid through other funds are paid from this fund.

Community Endowment Special Revenue Fund

The *Community Endowment Fund* was established in a prior fiscal year with a residual equity transfer from a terminated General Employees' Pension Plan. The funds are to be applied to unfunded liabilities; to other liabilities of the Town as may from time to time need funding; to projects or programs that need capital creation that will be repaid over time; or to projects or programs that are in the community chest of charities or goodwill and which have one-time needs.

Capital Projects Fund

The *Capital Projects Fund* is used to account for the cost of acquiring, constructing, and placing into service those capital improvements which are associated with activities in the General Fund and are financed by long-term debt issues which are repaid by the recurring operating revenues in the General Fund. Improvements made from resources provided by this fund are approved in the Town's five-year capital program and generally have no regard for fiscal periods.

Community Redevelopment Agency Special Revenue Fund (A Nonmajor Fund)

The *Community Redevelopment Agency Fund* is used to account for the activities of the Town's Community Redevelopment Agency, a component unit of the Town.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Presentation (Continued)

PROPRIETARY FUNDS

Proprietary Funds include Enterprise and Internal Service Funds. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Internal Service Funds are used to account for the financing of goods or services provided by one Town department to another Town department on a cost reimbursement basis and to accumulate working capital for the renewal and replacement of assets in those funds. In accounting for proprietary activities, the Town applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and ARBs. The following is a description of the Proprietary Funds of the Town. The Town's major enterprise fund is the water and sewer fund.

Water and Sewer Enterprise Fund

The *Water and Sewer Fund* is used to account for the operations of the water and sewer utility system. The cost of operating the water and sewer system is recovered almost entirely by user charges. Tax dollars are not permanently used in this fund. The acquisition, maintenance, and improvement of the physical plant facilities are financed from existing cash resources, issuance of revenue bonds and state or federal grants.

Aquaculture Enterprise Fund (A Nonmajor Fund)

The *Aquaculture Fund* is used to account for the operations of the Town's Aquaculture Research Center. The Town has contracted with the oceanographic department of Nova Southeastern University to lease the facility. The lease agreement provides for an annual payment of \$10,000 for use of the facility. The facility is being used to raise the freshwater fish tilapia for eventual sale. The Town established the Aquaculture Research Center by converting an abandoned water and sewer facility which otherwise would have had to be demolished.

Internal Service Fund for Vehicle Maintenance

The *Internal Service Fund for Vehicle Maintenance* is used to accumulate the cost of operating a central garage facility for vehicle and equipment maintenance. The cost allocation utilized provides for capital accumulation for the purpose of replacement vehicles. Costs of operating vehicles (replacement reserve, insurance reserve, maintenance, etc.) are established as a monthly rental rate per class of vehicle and the user department is charged for each vehicle it uses.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Presentation (Continued)

PROPRIETARY FUNDS (Continued)

Internal Service Fund for Self-Insurance

The *Internal Service Fund for Self-Insurance* is used to accumulate the cost of the deductible amount per claim for workers' compensation and property damage insurance for which the Town is self-insured. Costs of workers' compensation claims and property damage claims are determined actuarially and are allocated to departments proportionately. Although the Town is not currently self-insured for employee health care costs, this fund has been used to accumulate such costs in the past and remains available for that purpose again in the future.

The *Internal Service Fund for Information Systems* is used to accumulate the costs associated with the acquisition and maintenance of information systems equipment. The cost allocation utilized provides for capital accumulation for the purpose of replacing and maintaining the information systems.

Internal Service Fund for Building Maintenance

The *Internal Service Fund for Building Maintenance* is used to accumulate the costs of providing and maintaining certain Town facilities. The cost allocation utilized provides for capital accumulation for the purpose of replacing and maintaining Town facilities.

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

Police Employees Pension Trust Fund

The Police Employees Pension Trust Fund is maintained solely for the benefit of the sworn police officers employed by of the Town.

Firefighters' Pension Plan

The Firefighters' Pension Plan is maintained solely for the benefit of the firefighters employed by the Town.

NONCURRENT GOVERNMENTAL ASSETS/LIABILITIES

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide statement of net assets.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

Accrual

All proprietary, internal service and pension trust funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when incurred.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, *general revenues* include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund, of the aquaculture fund, and of the Town's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Basis of Accounting (Continued)

Modified Accrual (Continued)

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 34, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

6. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

7. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market value. No significant inventories were on hand at year-end in the governmental funds. The inventory in the Internal Service Fund for Vehicle Maintenance consisted of fuel accounted for on the consumption method.

8. Investments

All investments are reported at fair value.

9. Fixed Assets

Property, plant, and equipment purchased or acquired is carried at historical cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fixed Assets (Continued)

The estimated useful lives for each major class of depreciable fixed assets are as follows:

| | |
|--------------------------------|-------------|
| Utility plant and improvements | 30 Years |
| Improvements to land | 20 Years |
| Transportation equipment | 3-5 Years |
| Machinery and equipment | 5-10 Years |
| Town buildings | 20-35 Years |

Upon disposal of property, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposal reported currently. Expenditures for maintenance, repairs, and minor renewals and betterments are charged against income. Renewals and betterments of a major character are capitalized.

Pursuant to GASB Statement No. 34, an extended period of deferral is available before the requirement to record and depreciate governmental funds infrastructure assets become effective. This category is likely to be the largest asset class of the Town and has historically not been reflected nor a measure of its consumption charged. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

GASB Statement No. 34 requires the reporting and depreciation of infrastructure expenditures effective with the beginning of the implementation year, which for the Town was the fiscal year ended September 30, 1999. Infrastructure assets related to proprietary funds have always been presented in the financial statements.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bonds premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Compensated Absences

It is the Town's policy to permit full-time employees to accumulate limited amounts of earned vacation leave and earned sick leave. Upon separation from service, employees receive payment for all unused vacation time and, subject to length of service, 50% of all unused sick leave.

The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

12. Pension Plans

As of year-end, the Town had three pension plans: two defined benefit plans and a Money Purchase Plan, covering substantially all of its full-time employees. It is the policy of the Town to fund pension costs accrued, which includes amortization of prior service costs, over a 40-year period. The investments of the Fire Pension and the Police Pension are all carried at fair value. The assets of the money purchase plan are not recorded in the financial statements but are presented in the notes to the basic financial statements.

13. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally restricted by outside parties for a specific purpose.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

B. DEPOSITS AND INVESTMENTS

At September 30, 2002, the Town maintained cash book balances of \$69,547,230 of which \$698,996 is cash, \$(3,619,092) is pooled cash, \$2,669,557 is with fiscal agents and \$69,768,978 is with the state investment pool which is considered a cash equivalent. The total balance per bank was \$73,491,438. The difference between the bank balance and the Town's book balance is due to outstanding checks and deposits in transit.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

B. DEPOSITS AND INVESTMENTS (Continued)

As required by Florida Statutes, the Town Council has adopted a written investment policy, which may, from time to time, be amended by the Town Council. Under the current policy Town officials are authorized to invest funds in United States government obligations, guaranteed United States agency issues, State Treasurer's investment pool, Florida bank certificates of deposit and repurchase agreements. Trust funds and the Community Endowment Special Revenue Fund are also authorized to invest in corporate bonds and common stocks in addition to the previously listed investments.

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all cash and cash equivalents, except the amount on deposit at the state investment pool, are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as cash and cash equivalents are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

The Local Government Surplus Funds Trust Fund is administered by the State Board of Administration of Florida, which must follow the investment rules defined in Florida Statutes Chapter 215. The investment policy defined in the statute attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of government while limiting the risk to which the funds are exposed.

The value of the Town's investment in the State's investment pool, which is not Securities and Exchange Commission (SEC) registered but which qualifies as a SEC 2a7-like pool, is reported at its fair value of its position in the pool which is the same as its value of the pool shares. The Florida State Board of Administration, an agency of the State of Florida administers this local government surplus fund investment pool, with regulatory oversight exercised by the State.

Investments are classified as to credit risk and are summarized below:

Category 1 - Insured or registered, or securities held by the Town or its agent in the Town's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

B. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

| | <u>Category 1</u> | <u>Fair Value</u> |
|---|----------------------|-----------------------|
| U. S. Government Securities | \$ 12,445,146 | \$ 12,445,146 |
| Common Stocks | 29,920,485 | 29,920,485 |
| Corporate Bonds | <u>5,510,295</u> | <u>5,510,295</u> |
| | <u>\$ 47,875,926</u> | 47,875,926 |
| Investments not Subject to Categorization: | | |
| Mutual funds | | 4,377,455 |
| Investment in State Treasurer's Investment Pool | | <u>69,768,978</u> |
| | | <u>\$ 122,022,359</u> |

A reconciliation of cash and investments as shown on the balance sheet and the statement of net assets is as follows:

| | |
|--|-----------------------|
| Cash on hand | \$ (381,998) |
| Carrying amount of deposits | 131,459 |
| Carrying amount of investments | <u>122,022,359</u> |
| Total | <u>\$ 121,771,820</u> |
| Pooled cash and cash equivalents, primary government | \$ 62,029,421 |
| Restricted assets – pooled cash and cash equivalents, primary government | 4,949,911 |
| Investments, primary government | <u>4,377,455</u> |
| Total, primary government | <u>71,356,787</u> |
| Pooled cash and cash equivalents, fiduciary funds | 2,539,107 |
| Investments, fiduciary funds | <u>47,875,926</u> |
| Total, fiduciary funds | <u>50,415,033</u> |
| Grand total | <u>\$ 121,771,820</u> |

C. PROPERTY TAXES

The Town's property tax is levied and becomes a lien on real and personal property on October 1 of each year based on the assessed value listed as of the prior January 1. The Broward County Property Appraiser establishes assessed values. Broward County mails tax bills for the Town as the collection agent on or about October 1 of each year and is payable beginning November 1, with discounts of one to four percent if paid before March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

C. PROPERTY TAXES (Continued)

At September 30, uncollected current year amounts are classified as delinquent taxes receivable in the General Fund and offset by an allowance for uncollectibles. Delinquent taxes collected in subsequent periods are recognized as revenue in the General Fund during the fiscal year in which they are received.

As of September 30, 2002, property taxes receivable was \$1,040,258, net of approximately \$878,404 in allowances for non-collectible taxes. The Town levied a rate of 5.7911 per \$1,000 of assessed valuation for the fiscal year commencing October 1, 2001.

D. INTERFUND TRANSACTIONS

1. Interfund receivable and payable balances at September 30, 2002 were as follows:

| | <u>Receivable</u> | <u>Payable</u> |
|--------------------------|---------------------|---------------------|
| Due to/from other funds: | | |
| General fund | \$ 1,176,226 | \$ - |
| Community endowment fund | - | <u>1,176,226</u> |
| Total | <u>\$ 1,176,226</u> | <u>\$ 1,176,226</u> |

The balance due to the General Fund from the Community Endowment Fund resulted from loans made by the General Fund to establish working capital when the Aquaculture Fund was created and also to provide continuing assistance to that fund to cover operating losses.

In addition, in the General Fund, there is a due to the Firefighters Pension Plan of \$350,281 which is recorded as a contribution receivable in the pension (fiduciary) financial statements.

2. Transfers were used to move funds from the General Fund, which previously received proceeds from long-term debt issuances, to the Capital Projects Fund, from which the bond proceeds were expended. Transfers for the year ended September 30, 2002 were as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------|---------------------|----------------------|
| General fund: | | |
| Capital projects | \$ - | \$ 5,933,248 |
| Capital projects fund: | | |
| General fund | <u>5,933,248</u> | <u>-</u> |
| | <u>\$ 5,933,248</u> | <u>\$ 5,933,248</u> |

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2002 was as follows:

| | Balance September 30, <u>2001</u> | <u>Additions</u> | <u>Deletions</u> | Balance September 30, <u>2002</u> |
|--|---|---------------------|---------------------|---|
| Governmental Activities: | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 16,225,364 | \$ 837,725 | \$ - | \$ 17,063,089 |
| Depreciable assets: | | | | |
| Improvements to land | 19,004,757 | 2,341,111 | - | 21,345,868 |
| Buildings and equipment | 43,241,952 | 4,961,799 | (710,275) | 47,493,476 |
| Roads and drainage | 5,202,508 | 1,504,776 | - | 6,707,284 |
| Totals at historical cost | 67,449,217 | 8,807,686 | (710,275) | 75,546,628 |
| Less accumulated depreciation | 26,037,306 | 4,919,407 | (552,175) | 30,404,538 |
| Total depreciable assets | 41,411,911 | 3,888,279 | (158,100) | 45,142,090 |
| Governmental activities capital assets, net | <u>\$ 57,637,275</u> | <u>\$ 4,726,004</u> | <u>\$ (158,100)</u> | <u>\$ 62,205,179</u> |
| Business-type activities: | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 1,042,324 | \$ - | \$ - | \$ 1,042,324 |
| Depreciable assets: | | | | |
| Improvements to land | 2,332,748 | | - | 2,332,748 |
| Buildings and equipment | 33,171,203 | 236,566 | - | 33,407,769 |
| Totals at historical cost | 35,503,951 | 236,566 | - | 35,740,517 |
| Less accumulated depreciation | 16,688,658 | 1,171,735 | - | 17,860,393 |
| Total depreciable assets | 52,192,609 | 1,408,301 | - | 53,600,910 |
| Business-type activities capital assets, net | <u>\$ 18,815,293</u> | <u>\$ (935,169)</u> | <u>\$ -</u> | <u>\$ 17,880,124</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|--------------------|
| Governmental activities: | |
| General government | \$ 149,230 |
| Development services | 101,321 |
| Engineering | 15,892 |
| Public works | 364,842 |
| Police | 996,390 |
| Fire rescue | 520,582 |
| Parks and recreation | 1,924,027 |
| Subtotal | 4,072,284 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | 847,123 |
| Total depreciation expense – governmental activities | <u>\$4,919,407</u> |
| Business-type activities: | |
| Water and sewer | \$1,164,273 |
| Aquaculture | 7,462 |
| Total depreciation expense – business-type activities | <u>\$1,171,735</u> |

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

F. ACCRUED PAYROLL

The Town has accrued the following amounts in the indicated funds as expenses or expenditures for payroll which had been earned by the employees but had not been paid to the Town's employees as of September 30, 2002.

| | |
|--------------------------|--------------|
| General fund | \$ 1,875,022 |
| Information systems fund | 60,820 |
| Water and sewer fund | 55,398 |
| Capital projects fund | 31,939 |
| Self-insurance fund | 1,921 |

G. ACCRUED UNBILLED WATER AND SEWER REVENUE

For the year ended September 30, 2002, the Town recorded revenues of \$423,182 in the Water and Sewer Fund for water consumption and wastewater treatment which had not yet been billed to customers in that system. This accrued unbilled revenue results from a billing period, which is different than the accounting period.

H. RESTRICTED ASSETS

At September 30, 2002, the Town had \$4,949,911 in restricted pooled cash and cash equivalents. This balance is composed of three items. First, in November 1992, the Town issued \$38,655,000 Water and Sewer Improvement and Refunding Bonds. At September 30, 2002, \$1,237,494 of the bond proceeds was restricted for specific construction projects authorized by the bonds. Secondly, the Town established a revenue generation system whereby beginning in fiscal year 1990, and for the next 30 years, the Town is required to set aside an annual deposit of \$283,221 for capital expenditures related to renewal and replacement of its water and sewer plants. The funds shall be used only for sanitary sewerage system capital improvements and may be withdrawn and used anytime for this purpose. Since such withdrawn funds represent previously collected revenues (and income earned thereon), the amount of withdrawn funds need not be replaced or returned to the capital improvement account. As of September 30, 2002, the restricted amount related to this revenue generation system was \$2,834,252. Cash held as customer deposits is the third item. As of September 30, 2002, the Town held \$878,165 in customer deposits.

The restricted receivables represent amounts due from developers for construction of water and sewer lines in their developments. The receivable is restricted for cost of construction.

I. COMPENSATED ABSENCES

The Town accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

I. COMPENSATED ABSENCES (Continued)

Employees are paid for all accumulated vacation days and compensatory leave for overtime at 100% of their prevailing rate of pay at the time their employment terminates. Sick leave is paid at 50% the balance at the prevailing rate of pay at the time their employment terminates.

J. LONG-TERM LIABILITIES

Governmental Activities

| | Balance September 30, <u>2001</u> | <u>Additions</u> | <u>Reductions</u> | Balance September 30, <u>2002</u> | Due Within <u>One Year</u> |
|---|---|----------------------|---------------------|---|----------------------------------|
| Bonds and Notes Payable: | | | | | |
| Note payable | \$ 894,732 | \$ - | \$ 210,528 | \$ 684,204 | \$ 210,528 |
| General Obligation Bonds 1989 | 9,500,000 | - | 250,000 | 9,250,000 | 250,000 |
| Public Improvement Revenue Bonds, Series 1993A | 2,909,101 | - | 363,633 | 2,545,468 | 363,633 |
| Public Improvement Revenue Refunding Bonds, Series 1993B | 1,249,250 | - | 1,031,250 | 218,000 | 218,000 |
| Public Improvement Revenue Refunding Bonds, Series 1994A | 1,575,000 | - | 1,275,000 | 300,000 | 300,000 |
| Special Obligation Bonds, Series 1995 | 1,050,000 | - | 350,000 | 700,000 | 350,000 |
| Public Improvement Revenue Bonds, Series 1996 | 2,655,500 | - | 597,250 | 2,058,250 | 449,000 |
| General Obligation Bonds, Series 1997 | 8,586,540 | - | 383,369 | 8,203,171 | 402,061 |
| General Obligation Bonds, Series 1998 | 9,628,333 | - | 242,053 | 9,386,280 | 271,612 |
| Public Improvement Revenue Bonds, Series 1999 | 4,555,000 | - | 445,000 | 4,110,000 | 445,000 |
| General Obligation Bonds, Series 1999 | 1,955,000 | - | 41,250 | 1,913,750 | 47,500 |
| Public Improvement Revenue Bonds, Series 2001 | - | 10,000,000 | 665,000 | 9,335,000 | 665,000 |
| | 44,558,456 | 10,000,000 | 5,854,333 | 48,704,123 | 3,972,334 |
| Other Liabilities: | | | | | |
| Accrued compensated absences | 4,525,042 | 284,736 | - | 4,809,778 | 2,348,524 |
| Governmental Activities Long-Term Liabilities | <u>\$ 49,083,498</u> | <u>\$ 10,284,736</u> | <u>\$ 5,854,333</u> | <u>\$ 53,513,901</u> | <u>\$ 6,320,858</u> |

For governmental activities, compensated absences are generally liquidated by the general fund.

1. \$4.2 million note payable to banking institution, 15-year amortization, due 2005, variable rate of 67% of one month LIBOR rate plus .8%, which, at September 30, 2002 was 2.02%. This note will be repaid by the General Fund from legally available non-ad valorem revenues and special assessment collections. If any shortfall occurs in the collection of special assessments from property owners, the Town is obligated to repay the bonds from legally available non-ad valorem revenues. However, there is no reserve or sinking fund requirement.

Fiscal Year Ended

| | <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|----------------------|------------------|-------------------|--------------|
| 2003 | \$ 210,528 | \$ 25,711 | \$ 236,239 | |
| 2004 | 210,528 | 15,916 | 226,444 | |
| 2005 | 210,519 | 6,121 | 216,640 | |
| 2006 | 52,629 | - | 52,629 | |
| | <u>\$ 684,204</u> | <u>\$ 47,748</u> | <u>\$ 731,952</u> | |

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

J. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

2. \$10.0 million General Obligation Bonds 1989, 30-year amortization, due 2019, variable rate of 67% of one month LIBOR rate plus .7%, which, at September 30, 2002 was 1.92%. Property tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year Ended September 30, | Principal | Interest | Total |
|------------------------------------|--------------------|--------------------|---------------------|
| 2003 | \$ 250,000 | \$ 418,262 | \$ 668,262 |
| 2004 | 250,000 | 406,879 | 656,879 |
| 2005 | 500,000 | 392,653 | 892,653 |
| 2006 | 500,000 | 369,890 | 869,890 |
| 2007 | 500,000 | 347,129 | 847,129 |
| 2008-2012 | 2,500,000 | 1,394,203 | 3,894,203 |
| 2013-2017 | 3,250,000 | 782,463 | 4,032,463 |
| 2018-2019 | 1,500,000 | 85,360 | 1,585,360 |
| | <u>\$9,250,000</u> | <u>\$4,196,839</u> | <u>\$13,446,839</u> |

3. \$4.7 million Public Improvement Revenue Bonds, Series 1993A, 14-year amortization, due December 2008, variable rate of 67% of one month LIBOR plus .8% which, at September 30, 2002 was 2.02%. Franchise fees, sales tax, and public service tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year Ended September 30, | Principal | Interest | Total |
|------------------------------------|--------------------|------------------|--------------------|
| 2003 | \$ 363,633 | \$ 101,508 | \$ 465,141 |
| 2004 | 363,633 | 84,592 | 448,225 |
| 2005 | 363,633 | 67,672 | 431,305 |
| 2006 | 363,633 | 54,412 | 418,045 |
| 2007 | 363,633 | 33,836 | 397,469 |
| 2008-2009 | 727,303 | 12,690 | 739,993 |
| | <u>\$2,545,468</u> | <u>\$354,710</u> | <u>\$2,900,178</u> |

4. \$8.55 million Public Improvement Revenue Refunding Bonds, Series 1993B, 9-year amortization, due December 2002, variable rate of 67% of one month LIBOR rate plus .6% which, at September 30, 2002 was 1.82%. Franchise fees, sales tax, and public service tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year Ended September 30, | Principal | Interest | Total |
|------------------------------------|-------------------|-------------|-------------------|
| 2003 | <u>\$ 218,000</u> | <u>\$ -</u> | <u>\$ 218,000</u> |

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

J. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

5. \$8.7 million Public Improvement Revenue Refunding Bonds, Series 1994A, 9-year amortization, due December 2002, variable rate of 67% of one month LIBOR rate plus .6% which, at September 30, 2002 was 1.82%. Franchise fees, sales tax, and public service tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|------------------|-----------------|--------------|
| 2003 | \$ 300,000 | \$ - | \$ 300,000 |

6. \$2.6 million Special Obligation Bonds, Series 1995, 8-year amortization, due October 1, 2003, fixed rate of 4.46% per annum. Legally available non-ad valorem revenues of the General Fund and available revenues from the Vehicle Maintenance Internal Service Fund will be used to repay this bond issue.

| Fiscal Year Ended <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|-------------------|------------------|-------------------|
| 2003 | \$ 350,000 | \$ 11,709 | \$ 361,709 |
| 2004 | 350,000 | 3,903 | 353,903 |
| | <u>\$ 700,000</u> | <u>\$ 15,612</u> | <u>\$ 715,612</u> |

7. \$5.0 million Public Improvement Revenue Bonds, Series 1996, 15-year amortization, due December 31, 2011, fixed rate of 4.59% per annum. Franchise fees, public service taxes and local government half-cent sales taxes are pledged to repay this bond issue.

| Fiscal Year Ended <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|---------------------|-------------------|---------------------|
| 2003 | \$ 449,000 | \$ 87,852 | \$ 536,852 |
| 2004 | 449,000 | 67,151 | 516,151 |
| 2005 | 280,250 | 48,061 | 328,311 |
| 2006 | 224,000 | 37,175 | 261,175 |
| 2007 | 146,000 | 27,423 | 173,423 |
| 2008-2012 | 510,000 | 53,320 | 563,320 |
| | <u>\$ 2,058,250</u> | <u>\$ 320,982</u> | <u>\$ 2,379,232</u> |

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

J. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

8. \$9.8 million General Obligation Bonds, Series 1997, 20-year amortization, due February 1, 2017, fixed rate of 4.74% per annum. Property tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year Ended | | | | |
|----------------------|--------------------|--------------------|---------------------|--|
| <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2003 | \$ 402,061 | \$ 386,819 | \$ 788,880 | |
| 2004 | 419,641 | 369,239 | 788,880 | |
| 2005 | 443,265 | 345,615 | 788,880 | |
| 2006 | 463,955 | 324,925 | 788,880 | |
| 2007 | 486,638 | 302,242 | 788,880 | |
| 2008-2012 | 2,812,512 | 1,131,889 | 3,944,401 | |
| 2013-2017 | 3,175,099 | 374,860 | 3,549,959 | |
| | <u>\$8,203,171</u> | <u>\$3,235,589</u> | <u>\$11,438,760</u> | |

9. \$10.0 million General Obligation Bonds, Series 1998, 20-year amortization, due 2018, fixed rate of 4.19% per annum. Property tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year Ended | | | | |
|----------------------|--------------------|--------------------|---------------------|--|
| <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2003 | \$ 271,612 | \$ 380,981 | \$ 652,593 | |
| 2004 | 302,995 | 370,170 | 673,165 | |
| 2005 | 336,295 | 355,970 | 692,265 | |
| 2006 | 371,611 | 341,385 | 712,996 | |
| 2007 | 409,046 | 325,301 | 734,347 | |
| 2008-2012 | 2,688,780 | 1,327,766 | 4,016,546 | |
| 2013-2017 | 4,011,056 | 642,469 | 4,653,525 | |
| 2018 | 994,885 | 20,321 | 1,015,206 | |
| | <u>\$9,386,280</u> | <u>\$3,764,363</u> | <u>\$13,150,643</u> | |

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

J. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

10. \$5.0 million Public Improvement Revenue Bonds, Series 1999, 15-year amortization, due 2015, variable rate of 73.9% of one month LIBOR which, at September 30, 2002 was 1.35%. Legally available non-ad valorem revenues of the General Fund will be used to repay this bond issue.

| Fiscal Year Ended | | | | |
|----------------------|--------------------|-------------------|---------------------|--|
| <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2003 | \$ 445,000 | \$ 167,553 | \$ 612,553 | |
| 2004 | 445,000 | 148,644 | 593,644 | |
| 2005 | 445,000 | 129,735 | 574,735 | |
| 2006 | 400,000 | 111,543 | 511,543 | |
| 2007 | 400,000 | 94,546 | 494,546 | |
| 2008-2012 | 1,400,000 | 271,952 | 1,671,952 | |
| 2013-2015 | 575,000 | 39,916 | 614,916 | |
| | <u>\$4,110,000</u> | <u>\$ 963,889</u> | <u>\$ 5,073,889</u> | |

11. \$2.0 million General Obligation Bonds, Series 1999, 20-year amortization, due 2020, variable rate of 73.9% of one month LIBOR rate which, at September 30, 2002 was 1.35%. Property tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year Ended | | | | |
|----------------------|--------------------|-------------------|---------------------|--|
| <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2003 | \$ 47,500 | \$ 80,603 | \$ 128,103 | |
| 2004 | 57,500 | 78,425 | 135,925 | |
| 2005 | 67,500 | 75,823 | 143,323 | |
| 2006 | 76,250 | 72,795 | 149,045 | |
| 2007 | 81,250 | 69,475 | 150,725 | |
| 2008-2012 | 525,000 | 286,857 | 811,857 | |
| 2013-2017 | 650,000 | 160,914 | 810,914 | |
| 2018-2020 | 408,750 | 26,425 | 435,175 | |
| | <u>\$1,913,750</u> | <u>\$ 851,317</u> | <u>\$ 2,765,067</u> | |

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

J. LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

12. \$10.0 million Public Improvement Revenue Bonds, Series 2001, 15-year amortization, due 2016, bearing interest at 66.5% of the one month LIBOR, plus .675%, at September 30, 2002 was 1.89%.

| Fiscal Year Ended <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|--------------------|--------------------|---------------------|
| 2003 | \$ - | \$ 419,958 | \$ 419,958 |
| 2004 | 665,000 | 390,042 | 1,055,042 |
| 2005 | 665,000 | 360,125 | 1,025,125 |
| 2006 | 665,000 | 330,208 | 995,208 |
| 2007 | 665,000 | 300,292 | 965,292 |
| 2008-2012 | 3,325,000 | 1,052,708 | 4,377,708 |
| 2013-2016 | <u>3,350,000</u> | <u>303,666</u> | <u>3,653,666</u> |
| | <u>\$9,335,000</u> | <u>\$3,156,999</u> | <u>\$12,491,999</u> |

Summary of Governmental Activities Bonds and Notes Payments:

| Fiscal Year Ended <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| 2003 | \$ 3,307,334 | \$ 2,080,957 | \$ 5,388,291 |
| 2004 | 3,513,297 | 1,934,961 | 5,448,258 |
| 2005 | 3,311,462 | 1,781,775 | 5,093,237 |
| 2006 | 3,117,078 | 1,638,677 | 4,755,755 |
| 2007 | 3,051,567 | 1,500,246 | 4,551,813 |
| 2008-2012 | 14,488,595 | 5,531,486 | 20,020,081 |
| 2013-2017 | 15,011,156 | 2,304,287 | 17,315,443 |
| 2018-2020 | <u>2,903,634</u> | <u>132,106</u> | <u>3,035,740</u> |
| | <u>\$48,704,123</u> | <u>\$16,904,495</u> | <u>\$65,608,618</u> |

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

J. LONG-TERM LIABILITIES (Continued)

Business-Type Activities

| | Balance September 30, <u>2001</u> | <u>Additions</u> | <u>Deductions</u> | Balance September 30, <u>2002</u> | Due Within <u>One Year</u> |
|-----------------------------------|---|------------------|-----------------------|---|----------------------------------|
| Bonds and notes payable: | | | | | |
| Water and sewer debt | \$ 32,170,000 | \$ - | \$ (2,330,000) | \$ 29,840,000 | \$ - |
| Less deferred amount on refunding | <u>(9,503,926)</u> | <u>-</u> | <u>678,852</u> | <u>(8,825,074)</u> | <u>-</u> |
| Total bonds and notes payable | 22,666,074 | - | (1,651,148) | 21,014,926 | - |
| Compensated absences | <u>241,687</u> | <u>15,877</u> | <u>-</u> | <u>257,564</u> | <u>25,564</u> |
| Total | <u>\$ 22,907,761</u> | <u>\$ 15,877</u> | <u>\$ (1,651,148)</u> | <u>\$ 21,272,490</u> | <u>\$ 25,564</u> |

\$38,665,000 Water and Sewer Improvement and Refunding Revenue Bonds, Series 1992:

| <u>Fiscal Year Ended September 30:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------------|
| 2003 | \$ - | \$ 930,622 | \$ 930,622 |
| 2004 | 1,265,000 | 1,823,926 | 3,088,926 |
| 2005 | 1,340,000 | 1,746,408 | 3,086,408 |
| 2006 | 1,420,000 | 1,663,253 | 3,083,253 |
| 2007 | 1,505,000 | 1,574,396 | 3,079,396 |
| 2008-2012 | 9,060,000 | 6,288,991 | 15,348,991 |
| 2013-2017 | 12,310,000 | 2,936,983 | 15,246,983 |
| 2018-2019 | <u>2,940,000</u> | <u>91,875</u> | <u>3,031,875</u> |
| | 29,840,000 | <u>\$ 17,056,454</u> | <u>\$ 46,896,454</u> |
| Less amount deferred on refunding | <u>8,825,074</u> | | |
| | <u>\$ 21,014,926</u> | | |

Subsequent Bond Issues

Subsequent to fiscal year end (in September 2003), the Town issued \$26,305,000 Water and Sewer Refunding Bonds, Series 2003 for the purpose of providing funds, together with other legally available funds of the Town, to refund and defease the outstanding amount of the Town's \$38,665,000 Water and Sewer Improvement and Refunding Revenue Bonds, Series 1992.

Subsequent to fiscal year end (in December 2003), the Town issued \$24,475,000 Variable Rate Demand Revenue Bonds, Series 2003 for the purpose of making a loan of funds to the United Jewish Community Center of Broward County, Inc.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

K. FUND EQUITY

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserve for Capital Projects: The reserve for capital projects was created to represent amounts borrowed for various capital projects not yet completed.

Reserve for Community Obligations: The reserve for community obligations was created to represent Community Endowment Special Revenue Funds available to be applied to unfunded liabilities which have no funding trust; to other liabilities of the Town as may from time to time need funding; to projects or programs that need capital creation that will be repaid over time; or to projects or programs that are in the community chest of charities or goodwill and which have one-time needs.

Reserve for Debt Service: The reserve for debt service was created to represent amounts collected by levy that can only be used to repay outstanding debt issues.

Reserve for Open Space Program: The reserve for open space was created to represent impact fees collected on development that have not yet been spent for the Town's Open Space Program.

Reserve for Encumbrances: The reserve for encumbrances was created to represent encumbrances outstanding at the end of the year based on purchase orders not completed as of September 30, 2002.

Reserve for Law Enforcement: The reserve for law enforcement was created to represent court awarded forfeiture property that is restricted as to its use.

Reserve for Community Redevelopment Agency: The reserve for the Community Redevelopment Agency (CRA) was created to represent tax increments and other revenues that can only be used in the Town's CRA district.

Reserve for Development Services – Building: The reserve for Development Services, Building was created to represent fees collected by the Building Division that have not yet been spent for the Town's Building Division.

Reserve for Development Services – Engineering: The reserve for Development Services, Engineering was created to represent fees collected by the Engineering Division that have not yet been spent for the Town's Engineering Division.

Reserve for Prepaid Items: The reserve for prepaid items was created to represent items paid for in fiscal year 2002 but which had not been consumed by September 30, 2002.

Reserve for Police Impact Fees: The reserve for police impact fees was created to represent impact fees collected on development that have not yet been spent for the Town's police department.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

K. FUND EQUITY (Continued)

Reserve for Fire Impact Fees: The reserve for fire impact fees was created to represent impact fees collected on development that have not yet been spent for the Town's fire department.

Reserve for Compensated Absences: The reserve for compensated absences was created to cover the costs of short-term and long-term compensated absences.

L. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$25,000 for each workers' compensation claim and \$1,000 for each property damage claim. There were no significant reductions in coverages from coverages in the prior fiscal year. The Town purchases insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. During the past three fiscal years, no settlements exceeded the coverage provided by this insurance.

Actuarially determined amounts are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Changes in the balances of claims liabilities during the past two years are as follows:

| Fiscal Year Ended <u>September 30</u> | Beginning of Fiscal <u>Year</u> | Current Year Claims and Changes in Estimated <u>Liability</u> | Actual Claim <u>Payments</u> | Balance at Fiscal <u>Year End</u> |
|--|---------------------------------------|---|------------------------------------|---|
| 2001 | \$ 599,386 | \$ 287,666 | \$(287,666) | \$ 599,386 |
| 2002 | 599,386 | 99,079 | (99,079) | 599,386 |

M. LITIGATION, COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Litigation

The Town is involved in various pending lawsuits incidental to its operations. In the opinion of management, any potential losses resulting from claims against the Town, not covered by insurance would not have a material adverse effect on the financial position of the Town.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

M. LITIGATION, COMMITMENTS AND CONTINGENCIES (Continued)

Commitments

A construction commitment is defined as the difference between the contract price of a project and the amount paid on that contract. Outstanding general government construction commitments at September 30, 2002 are approximately \$3.8 million for projects that are all fully funded.

As a prerequisite for approval of development plats, the Town requires developers to install certain infrastructure elements (roadways, drainage, sidewalks, lighting, landscaping, etc.) that accrue to a development as a whole. Should the developer fail to install the required infrastructure, the Town would be obliged to complete the amenities. To eliminate the financial risk that may exist, the Town also requires the developer to guarantee, through reliable third parties, the amount of money that would be necessary to complete the project. At September 30, 2002, the Town held the following guarantees from various financial institutions for developers' infrastructure requirements:

| | |
|-------------------------------|----------------------|
| Irrevocable letters of credit | \$ 13,893,286 |
| Surety bonds | 16,489,937 |
| Cash bonds | <u>374,058</u> |
| Total guarantees held | <u>\$ 30,757,281</u> |

In 1985, the Town and the City of Cooper City entered into an interlocal agreement which provided that both municipalities would jointly construct and maintain a wastewater transmission line that would connect to the City of Hollywood's wastewater treatment facilities. The respective municipalities of Davie and Cooper City treat the effluent that is received by Hollywood. The Town owns and is responsible for two-thirds of the jointly owned facility. Cooper City participates in the remaining one-third.

The Town has entered into contractual agreements with Florida Power and Light Company (FPL) to provide maintenance to certain street lights within the Town. Each agreement is initially for a term of ten years with automatic, successive five-year extensions until terminated. The Town's existing commitment to FPL, as of September 30, 2002, is approximately \$1,000,000.

Contingencies

The Town is obligated to provide post employment health care benefits to its employees (and their dependents) during the period after they retire from service to the Town. The Town is required by State statutes to offer its retiring employees continued coverage under the same health and hospitalization coverage as is offered to active employees. The statutes also limit the amount that the Town may charge the retiree as a premium. The retirees are required to pay 100% of the monthly premiums as calculated for the Town's employee group, but this amount is lower than the true actuarial premium otherwise chargeable. This shortfall must be covered by the Town and, therefore, creates a long-term obligation on the part of the Town to subsidize the coverage for all retiring employees and their dependents. Inflation and other trends in health care costs

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

M. LITIGATION, COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies (Continued)

increase this subsidy substantially over time. There is no current statutory requirement to advance-fund the Town's subsidy of retiree health benefits. The Town estimates the liability to be approximately \$655,000 which was fully funded for in the Self-Insurance Fund as of September 30, 2002.

The Town has certain debt issuances, which may be subject to arbitrage rebate in accordance with federal tax laws. Any rebate liability is due after the fifth year of each respective bond's issuance. No rebate was due as of September 30, 2002.

N. DEFINED CONTRIBUTION PLAN

The Town of Davie is a single employer that contributes to the Town of Davie Money Purchase Plan (Plan) which is a defined contribution pension plan. The Plan covers all eligible full time employees not covered by the Police or Fire Pension Plans. At September 30, 2002, there were 326 plan members. Contributions for fiscal year ended September 30, 2002 for the Plan were \$275,982 (representing \$12,059,924 in covered payroll). Total payroll for the Town for the year were \$28,016,134.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account, the returns earned on investments on those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The Plan provides for two contribution rate levels based on job classifications. For full-time managers, professionals, and certain technical non-unionized personnel, the Town is required to contribute an amount equal to 10% of the employees' gross earnings. The employees must contribute 1.4% of their pretax pay to the plan; however, under IRC 401(a), the Town has elected to "pick-up" the employees' mandatory contribution. The Town has no liability to the employees covered by this plan other than the employer contribution to the plan. For all other employees covered by the Plan, the Town is required to contribute 5% of the employees' gross earnings and the employees contribute 3%. These contribution rates are established in the plan documents which were adopted by resolution of the Town Council and which may be amended only by the Town Council. In October 2002, the Town adopted a resolution to increase the Town's contribution to 6% for general employees. Assets of the plan resulting from employer contributions are considered assets of the Town. Members share equal risk with other general creditors of the Town in the unlikely event these assets would be needed to pay for liabilities of the Town.

Subsequent to year end, the Town established a new defined benefit retirement plan for the Town's management and general employees. The plan required an initial funding of \$2,500,000 which was provided by the sale of investments from the Community Endowment Fund.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

O. PENSION PLAN INFORMATION

1. Summary of Significant Accounting Policies

Basis of Accounting

The Firefighters' Pension Plan and the Police Pension Plan are accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Town contributions are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest income are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

Firefighters' Pension Plan

Within certain limitations as specified in the Firefighters' Plan, an investment policy is determined by the Firefighters' Pension Board and is implemented by an investment advisor.

The Firefighters' Pension Board uses the following investment guidelines:

Authorized Investments:

- Time, savings, and money market accounts of banks insured by the Federal Deposit Insurance Corporation.
- Obligations issued or guaranteed by the United States Government.
- Stocks, bonds or other indebtedness guaranteed by a corporation of the United States, or any state or political sub-division or agency, provided that:
 1. Equities will be traded on one of the following national exchanges: New York Stock Exchange, American Stock Exchange or NASDAQ.
 2. The individual issue meets the following criteria:
 - a. Fixed income: Standard & Poor's, AAA, AA, A or Moody's Aaa, Aa, A.
 - b. Money Market: Standard & Poor's A1, or Moody's P1.
 3. Not more than 5% of the Firefighters' Pension Plan's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

Limitations

Investments in corporate common stock and convertible bonds shall not exceed 70% of the Firefighters' Pension Plan's assets at market value.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

O. PENSION PLAN INFORMATION (Continued)

1. Summary of Significant Accounting Policies (Continued)

Police Employees Trust Fund

Within certain limitations as specified in the Police Plan, investment policy is determined by the Police Pension Board and is implemented by an investment advisor. Funds not needed for current obligations are invested in bonds, notes, money market funds, common stocks, and U.S. Government Securities.

2. Plan Description and Contribution Information

Firefighters' Pension Plan

The following brief description of the Firefighters' Pension Plan is provided for general information purposes only. The Firefighters' Pension Plan was established by Town Ordinance 80-42 and has subsequently been amended from time to time by the Town Council. Participants should refer to the Plan documents for more complete information. Additionally, a separate public employee retirement system annual report for the Firefighters' Pension Plan is publicly available from the Town of Davie Budget and Finance Department, 6591 Orange Drive, Davie, Florida 33314.

Plan Description

The Town is the sponsor of a single-employer, Public Employee Retirement System (PERS). This defined benefit pension plan covers substantially all of the Town's firefighters. The PERS is considered part of the Town's financial reporting entity and is therefore included in this financial report as a pension trust fund. The latest available actuarial report is as of October 1, 2001.

All full time firefighters are eligible to participate in the Plan. Employees who have completed 10 or more years of service are entitled to benefits of 3% of their average monthly earnings times the number of years and completed months of continuous service for the first twenty years, plus 2% of the next ten years thereafter.

On July 1, 1998, the Plan adopted the Deferred Retirement Option Plan (DROP) under Resolution R-98-229. The Resolution as amended in December 1998 by Resolution R-98-374 allows eligible employees to participate in the DROP for a maximum of five years. Upon election to participate in the DROP, monthly retirement benefits that would have been payable had the member terminated employment and elected to receive monthly pension payments it made into the member's DROP account. DROP payments contributed to a member's DROP account earn or lose interest at the same rate and frequency as in the Plan, less reasonable and necessary administrative expenses. No benefit payments are made from a member's DROP account during their participation in the DROP. Benefits are paid upon termination.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

O. PENSION PLAN INFORMATION (Continued)

2. Plan Description and Contribution Information (Continued)

Firefighters' Pension Plan (Continued)

Plan Description (Continued)

The Plan also provides for disability and death benefits. Active employees who become disabled receive 66.7% of their earnings, if the disability is service related. If an active employee dies, his or her spouse receives 50% of the employees' average monthly earnings until the spouse either dies or remarries. Each unmarried child that is not a student receives 5% of the employee's earnings until age 18. For unmarried children that are students, the benefits continue until the earlier of death, marriage, or until age 22. The maximum family benefit is 60% of the employee's earnings.

Participants immediately vest in 100% of their contributions and related earnings. Benefits vest at 100% after the participant has attained 10 years of credited service.

Plan provisions are established by the Town Council. Changes to established provisions require a majority vote of the Council.

Employee membership data at October 1, 2001 was as follows:

Inactive employees:

| | |
|--|------------|
| Retirees and beneficiaries currently receiving benefits | 14 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Deferred vested members | 17 |
| Active plan participants | 80 |
| Total | <u>111</u> |

Funding Policy

Firefighters' Pension Plan members are required to contribute 5% of their base compensation. The State contributes pursuant to Chapter 175 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on Town of Davie properties. The premium tax is collected by the State and remitted to the Town. The Town contributions are based upon actuarially determined amounts which, together with earnings, plan member and State contributions, are sufficient to fund the Firefighters' Pension Plan.

Police Employees Pension Trust Fund

The following brief description of the Police Employees Pension Trust Fund is provided for general information purposes only. The Police Pension Plan was established by Town Ordinance 76-13 and has subsequently been amended from time to time by the Town Council. Participants should refer to the Plan documents for more complete information. Additionally, a separate public employee retirement system annual report for the Police Pension Plan is publicly available from the Town of Davie Budget and Finance Department, 6591 Orange Drive, Davie, Florida 33314.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

O. PENSION PLAN INFORMATION (Continued)

2. Plan Description and Contribution Information (Continued)

Police Employees Pension Trust Fund (Continued)

Plan Description

The Town is the sponsor of a single-employer, Public Employee Retirement System (PERS). This defined benefit pension plan covers substantially all of the Town's police officers. The PERS is considered part of the Town's financial reporting entity and is therefore included in this financial report as a pension trust fund. The latest available actuarial report is as of October 1, 2001.

Normal Retirement

Any member may retire the earlier of the date on which they attain 20 years of credited service or the date on which they attain age 55. A member has vested benefits after 10 years of continuous service.

Upon retirement, a member will receive a monthly benefit amount equal to the number of years of credited service multiplied by 3% of final average earnings for the first 20 years of service and 2% per year for the next ten years of service with an 80% maximum of the final average earnings.

The member's benefits commence on the first day of the month following their retirement date and are continued until their death. A member with the consent of the Town may continue to work beyond their normal retirement date and retire on any subsequent first day of the month.

Early Retirement

Any member who has completed 10 years of credited service and attained age 50 may retire early, with the consent of the Town.

Upon early retirement, a member will receive a monthly benefit amount equal to the number of years of credited service at that date, multiplied by 3% of final average earnings for up to 20 years of service, and reduced actuarially to reflect earlier receipt of payment.

Deferred Retirement Option Plan

A member may enter into the police officers' Deferred Retirement Option Plan (DROP) on the first day of any month after completing 20 years of credited service and becoming eligible to receive a service retirement pension. The DROP is administered by the Police Officers' Pension Board of Trustees. The rate of return earned by the Plan is the same as that earned by the Fund less a \$10 per month adjustment for expenses. Once a member enters the DROP, their monthly retirement benefit is frozen, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including interest, is payable to them and they also begin to receive their (frozen) monthly retirement benefit.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

O. PENSION PLAN INFORMATION (Continued)

2. Plan Description and Contribution Information (Continued)

Police Pension Plan (Continued)

Disability

Any member who receives a medically substantiated service connected disability as determined by the pension board will receive a monthly benefit equal to 66-2/3% of such members base pay at time of disability, less any applicable benefits payable by Federal Old Age, Survivors and Disability Insurance, Workers' Compensation benefits or other disability benefits payable from Broward County or the Town or 42% of the final average earnings payable as a ten year certain and life annuity. If the disability is non-service connected, a member will receive a monthly benefit of the greater of \$100 or 1.50% of final average earnings multiplied by the number of years of benefit service at their date of disability.

Benefits are payable beginning in the month following the later of (1) the date when the disability has existed for six months, and (2) the date when the Board makes its determination that the member has incurred a disability.

Death Benefits

If, prior to retirement, death is non-service connected or member had no spouse to whom he had been married for at least one (1) year prior to death, the death benefit shall be the return of accumulated employee contributions plus prior plan benefits, if any. If death is service-connected and member has an eligible spouse, such spouse shall be entitled to a monthly annuity equal to 50% of the member's base pay at a member's date of death. Such pension shall continue to the spouse until the earlier of the spouse's death or remarriage, with a guarantee that such benefits will at least equal the member's accumulated contributions at member's date of death.

Upon death of a retired member, a death benefit of the accumulated contributions at date of retirement less benefits paid to date of death shall be returned.

Employee membership data at October 1, 2001 was as follows:

Inactive employees:

| | |
|--|------------|
| Retirees and beneficiaries currently receiving benefits | 28 |
| Terminated employees entitled to benefits but not yet receiving them | - |
| Deferred vested members | - |
| Active plan participants | <u>142</u> |
| Total | <u>170</u> |

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

O. PENSION PLAN INFORMATION (Continued)

2. Plan Description and Contribution Information (Continued)

Police Pension Plan (Continued)

Funding Policy

Police Pension Plan members are required to contribute 6.5% of their basic compensation. The State is required to contribute pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on Town of Davie properties. The premium tax is collected by the State and remitted to the Town. The Town's contributions are based upon actuarially determined amounts, together with earnings, plan member and state contributions, are sufficient to fund the Police Pension Plan.

3. Annual Pension Cost and Net Pension Obligation (Asset)

The Town's annual pension costs and net pension obligation (asset) to the Firefighters and Police plans for the current year were as follows:

| | <u>Firefighters</u> | <u>Police</u> |
|--|---------------------|---------------------|
| Annual required contribution | \$ 1,191,415 | \$ 1,952,361 |
| Interest on net pension obligation | - | - |
| Adjustment to annual required contribution | - | - |
| Annual pension cost | 1,191,415 | 1,952,361 |
| Contributions made | 1,298,375 | 2,061,174 |
| Increase in net pension asset | 106,960 | 108,813 |
| Net pension assets, beginning at year | (51,836) | (33,922) |
| Net pension asset, end of year | <u>\$ (158,796)</u> | <u>\$ (142,735)</u> |

The required contributions for the current year were determined by the Firefighters October 1, 2001 actuarial valuation and the Police October 1, 2001 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions for the Firefighters valuation included (a) 8.5% investment rate of return and (b) projected salary increases of 6.5%. Both (a) and (b) included an inflation component of 4.0%. The method used for valuing assets phases in the deviation between the expected and actual return on assets at a rate of 25% annually and will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets. The actuarial assumptions for the Police valuation included (a) 8.0% investment rate of return and (b) projected salary increases of 6.5%. Both (a) and (b) included an inflation component of 4.0%. Assets were valued at 50% of cost value plus 50% of market value, but not more than 120% of market value nor less than 80% of market value.

TOWN OF DAVIE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

O. PENSION PLAN INFORMATION (Continued)

4. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year information for the years ended September 30, is presented as follows:

| | Firefighters | | |
|--------------------------------|--------------|-------------|-------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| Annual pension cost (APC) | \$ 1,191,415 | \$ 971,744 | \$ 970,953 |
| Percentage of APC contributed | 109% | 105% | 121% |
| Net pension obligation (asset) | \$ (158,796) | \$ (51,836) | \$ - |

| | Police | | |
|--------------------------------|--------------|--------------|--------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| Annual pension cost (APC) | \$ 1,952,361 | \$ 1,382,135 | \$ 1,050,811 |
| Percentage of APC contributed | 106% | 102% | 100% |
| Net pension obligation (asset) | \$ (142,735) | \$ (33,922) | \$ - |

Contributions to both plans were made in accordance with actuarially determined requirements. Six-year historical trend information presenting the progress in accumulating sufficient assets to pay benefits when due is presented in the accompanying required supplementary information.

P. COMPLIANCE

The Town is not in compliance with various reporting requirements required by the Town's bond and finance agreements, the Auditor General of the State of Florida, the Department of Financial Services of the State of Florida and the Federal Single Audit Act. The Town is also not in compliance with investment policy requirements of Section 218.415, Florida Statutes.

O. PRIOR PERIOD ADJUSTMENT

Fund balance, as of October 1, 2001, of the general fund was restated to correct an error of prior periods for the overstatement, in the amount of \$2,171,000, of the current portion of compensated absences. In the fund financial statements, this overstatement was reclassified from a short-term obligation to a long-term obligation.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

TOWN OF DAVIE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2002

| | <u>Original</u> | <u>Final</u> | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|-------------------------------------|-------------------|-------------------|---|---|
| Revenues: | | | | |
| Intergovernmental | \$ 9,188,270 | \$ 9,188,270 | \$ 9,565,842 | \$ 377,572 |
| Property taxes | 21,392,178 | 21,392,178 | 21,259,541 | (132,637) |
| Communications services tax | 3,341,660 | 3,341,660 | 4,086,272 | 744,612 |
| Utility taxes | 4,918,767 | 4,918,767 | 5,092,988 | 174,221 |
| Franchise fees | 5,064,963 | 5,064,963 | 5,560,921 | 495,958 |
| Licenses and permits | 4,639,707 | 4,639,707 | 3,980,727 | (658,980) |
| Charges for services | 4,100,282 | 4,100,282 | 4,462,648 | 362,366 |
| Fines and forfeitures | 657,500 | 657,500 | 693,040 | 35,540 |
| Fire rescue assessments | 1,740,000 | 1,740,000 | 1,654,108 | (85,892) |
| Miscellaneous | 946,052 | 946,052 | 1,514,487 | 568,435 |
| Interest | 2,354,800 | 2,354,800 | 1,021,359 | (1,333,441) |
| Total revenues | <u>58,344,179</u> | <u>58,344,179</u> | <u>58,891,933</u> | <u>547,754</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Town administration department: | | | | |
| Personnel services | 729,007 | 729,007 | 862,021 | (133,014) |
| Operating expenditures | 992,938 | 1,061,020 | 1,026,429 | 34,591 |
| Capital outlay | - | 4,135 | 1,254 | 2,881 |
| | <u>1,721,945</u> | <u>1,794,162</u> | <u>1,889,704</u> | <u>(95,542)</u> |
| Budget and finance department: | | | | |
| Personnel services | 760,565 | 760,565 | 739,429 | 21,136 |
| Operating expenditures | 257,609 | 257,609 | 233,663 | 23,946 |
| Capital outlay | 3,500 | 3,500 | - | 3,500 |
| | <u>1,021,674</u> | <u>1,021,674</u> | <u>973,092</u> | <u>48,582</u> |
| Administrative services department: | | | | |
| Personnel services | 858,786 | 858,786 | 806,283 | 52,503 |
| Operating expenditures | 728,823 | 822,364 | 660,005 | 162,359 |
| Capital outlay | 33,350 | 71,159 | 59,023 | 12,136 |
| | <u>1,620,959</u> | <u>1,752,309</u> | <u>1,525,311</u> | <u>226,998</u> |
| Development services department: | | | | |
| Personnel services | 5,267,022 | 5,250,222 | 4,713,995 | 536,227 |
| Operating expenditures | 1,246,649 | 1,270,449 | 1,475,658 | (205,209) |
| Capital outlay | 290,739 | 292,239 | 597,172 | (304,933) |
| | <u>6,804,410</u> | <u>6,812,910</u> | <u>6,786,825</u> | <u>26,085</u> |
| Parks and recreation department: | | | | |
| Personnel services | 2,980,631 | 2,970,631 | 2,962,056 | 8,575 |
| Operating expenditures | 2,586,255 | 2,573,410 | 2,483,974 | 89,436 |
| Capital outlay | 215,375 | 226,220 | 110,055 | 116,165 |
| | <u>5,782,261</u> | <u>5,770,261</u> | <u>5,556,085</u> | <u>214,176</u> |
| Total general government | <u>16,951,249</u> | <u>17,151,316</u> | <u>16,731,017</u> | <u>420,299</u> |

Continued

TOWN OF DAVIE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

YEAR ENDED SEPTEMBER 30, 2002

| | <u>Original</u> | <u>Final</u> | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|---|---|
| Expenditures: | | | | |
| Public safety: | | | | |
| Police department: | | | | |
| Personnel services | \$ 16,983,581 | \$ 16,983,581 | \$ 17,038,412 | \$ (54,831) |
| Operating expenditures | 2,742,311 | 2,671,461 | 3,343,418 | (671,957) |
| Capital outlay | <u>86,275</u> | <u>86,275</u> | <u>168,969</u> | <u>(82,694)</u> |
| | <u>19,812,167</u> | <u>19,741,317</u> | <u>20,550,799</u> | <u>(809,482)</u> |
| Fire department: | | | | |
| Personnel services | 8,711,892 | 8,711,892 | 9,410,618 | (698,726) |
| Operating expenditures | 1,078,891 | 1,059,491 | 1,317,721 | (258,230) |
| Capital outlay | <u>44,500</u> | <u>63,900</u> | <u>126,246</u> | <u>(62,346)</u> |
| | <u>9,835,283</u> | <u>9,835,283</u> | <u>10,854,585</u> | <u>(1,019,302)</u> |
| Total public safety | <u>29,647,450</u> | <u>29,576,600</u> | <u>31,405,384</u> | <u>(1,828,784)</u> |
| Public works: | | | | |
| Personnel services | 1,273,434 | 1,273,434 | 1,070,129 | 203,305 |
| Operating expenditures | 1,661,250 | 1,663,250 | 1,500,013 | 163,237 |
| Capital outlay | <u>23,800</u> | <u>23,800</u> | <u>13,126</u> | <u>10,674</u> |
| Total public works | <u>2,958,484</u> | <u>2,960,484</u> | <u>2,583,268</u> | <u>377,216</u> |
| Debt service: | | | | |
| Principal retirements | 6,040,617 | 6,040,617 | 5,773,333 | 267,284 |
| Interest | <u>1,770,379</u> | <u>1,770,379</u> | <u>1,559,675</u> | <u>210,704</u> |
| Total debt service | <u>7,810,996</u> | <u>7,810,996</u> | <u>7,333,008</u> | <u>477,988</u> |
| Impact fee reserve | <u>776,000</u> | <u>776,000</u> | - | 776,000 |
| Contingencies | <u>200,000</u> | <u>68,783</u> | - | 68,783 |
| Total expenditures | <u>58,344,179</u> | <u>58,344,179</u> | <u>58,052,677</u> | <u>291,502</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>839,256</u> | <u>839,256</u> |
| Other financing sources (uses): | | | | |
| Bonds Issued | - | - | 9,720,000 | 9,720,000 |
| Transfers out | <u>-</u> | <u>-</u> | <u>(5,933,248)</u> | <u>(5,933,248)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>3,786,752</u> | <u>3,786,752</u> |
| Net change in fund balances | - | - | 4,626,008 | 4,626,008 |
| Fund balance, October 1 | <u>27,420,976</u> | <u>27,420,976</u> | <u>27,420,976</u> | <u>-</u> |
| Fund balance, September 30 | <u>\$ 27,420,976</u> | <u>\$ 27,420,976</u> | <u>\$ 32,046,984</u> | <u>\$ 4,626,008</u> |

TOWN OF DAVIE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2002

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

The Town is legally required to adopt an annual budget for its General Fund. In September, formal public hearings are conducted to obtain taxpayers' comments. Prior to October 1, the budget is legally adopted.

The legal level of control, the level at which expenditures may not exceed the budget, is at the department level. The Town Administrator is authorized to transfer budgeted amounts within line items of departments. Any budget amendments between departments or amendments that alter the budget in total must be approved by the Town Council. All unencumbered appropriations lapse at the end of the fiscal period. There were no supplemental appropriations during the fiscal year ended September 30, 2002. Budget revisions made during the year were not material in relation to the original appropriation.

Encumbrances of budgetary accounts are treated as budgeted expenditures in the year of occurrence of the commitment to purchase. Budgetary comparisons presented in this report are made on a budgetary, not a fund financial statement, basis. Therefore, adjustments are necessary to convert budgetary basis expenditures for the year ended September 30, 2002 to a fund financial statement basis:

| | <u>General Fund</u> |
|--|---------------------|
| Net Change in Fund Balance - budgetary basis | \$ 4,626,008 |
| To adjust for bond issue costs | (13,168) |
| To adjust for net effect of non-budgeted law enforcement forfeiture transactions | (572,302) |
| To adjust expenditures for encumbrances | <u>184,849</u> |
| Net Change in Fund Balance (General Fund and Community Redevelopment Agency Fund combined) - Fund Financial Statements | <u>\$ 4,225,387</u> |

Reconciliation to net change in fund balance – fund financial statements:

| | |
|---|---------------------|
| Net Change in Fund Balance – Fund Financial Statements: | |
| General Fund | \$ 4,054,296 |
| Community Redevelopment Agency Fund | <u>171,091</u> |
| | <u>\$ 4,225,387</u> |

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2002, expenditures exceeded appropriations in Town Administration activities by \$95,542 and in Public Safety by \$1,828,784 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund.

TOWN OF DAVIE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS (In Thousands)

SEPTEMBER 30, 2002

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability Frozen Entry Age (AAL) (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-a) / (c) |
|--------------------------------|--|--|--|------------------------------|-------------------------------------|--|
| <u>FIREFIGHTERS</u> | | | | | | |
| 10/1/1996 | \$ 10,550 | \$ 11,604 | \$ 1,054 | 90.9% | \$ 2,902 | 36.3% |
| 10/1/1997 | 13,046 | 14,189 | 1,143 | 91.9% | 3,364 | 34.0% |
| 10/1/1998 | 14,689 | 15,821 | 1,132 | 92.8% | 3,021 | 37.5% |
| 10/1/1999 | 15,918 | 16,923 | 1,005 | 94.1% | 3,346 | 30.0% |
| 10/1/2000 | 17,360 | 18,156 | 796 | 95.6% | 3,691 | 21.6% |
| 10/1/2001 | 17,884 | 18,637 | 753 | 96.0% | 4,020 | 18.7% |
| <u>POLICE (1)</u> | | | | | | |
| 10/1/1996 | \$ 17,055 | \$ 20,093 | \$ 3,038 | 84.9% | \$ 5,637 | 53.9% |
| 10/1/1997 | 21,590 | 23,994 | 2,404 | 90.0% | 5,339 | 45.0% |
| 10/1/1998 | 24,945 | 27,303 | 2,358 | 91.4% | 6,360 | 37.1% |
| 10/1/1999 | 29,881 | 28,994 | (887) | 103.1% | 6,070 | -14.6% |
| 10/1/2000 | 32,886 | 35,159 | 2,273 | 93.5% | 6,309 | 36.0% |
| 10/1/2001 | 32,325 | 34,530 | 2,205 | 93.6% | 7,254 | 30.4% |

(1) The figures for October 1, 1996 through October 1, 1997 were revised as a result of the change in funding method, retroactive to the October 1, 1994 valuation, as requested by the State.

TOWN OF DAVIE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| | <u>FIREFIGHTERS</u> | | <u>POLICE</u> | |
|--------------------|---------------------------------------|-------------------------------|---------------------------------------|-------------------------------|
| <u>Fiscal Year</u> | <u>Annual Required Contributions*</u> | <u>Percentage Contributed</u> | <u>Annual Required Contributions*</u> | <u>Percentage Contributed</u> |
| 1997 | \$ 643,347 | 106% | \$ 1,196,347 | 100% |
| 1998 | 722,563 | 101% | 1,144,624 | 100% |
| 1999 | 664,667 | 125% | 1,275,726 | 100% |
| 2000 | 894,888 | 132% | 1,050,811 | 100% |
| 2001 | 971,744 | 105% | 1,382,135 | 100% |
| 2002 | 1,191,415 | 100% | 1,952,361 | 100% |

*Includes State contributions.

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

| | <u>FIREFIGHTERS</u> | <u>POLICE</u> |
|-------------------------------|--|--|
| Valuation date | 10/1/01 | 10/1/01 |
| Actuarial cost method | Frozen Entry Age | Frozen Entry Age |
| Amortization method | Level payment, closed | Level payment, closed |
| Remaining amortization period | 30 years | 30 years |
| Asset valuation method | Assets were valued at 100% of market value | Assets were valued at 50% of cost value plus 50% of market value, but not more than 120% of market value nor less than 80% of market value |
| Actuarial assumptions: | | |
| Investment rate of return** | 8.5% | 8.0% |
| Projected salary increases** | 6.5% | 6.5% |
| Cost of living adjustments | None | 2% |
| **Includes inflation at | 4% | 4% |

COMBINING FINANCIAL STATEMENTS

INTERNAL SERVICE FUNDS

Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Vehicle Maintenance Fund - This fund is used to accumulate the cost of operating a central garage facility for vehicle and equipment maintenance.

Self-Insurance Fund – This fund is used to account for a deductible amount per claim for workers' compensation and property damage insurance for which the Town is self-insured.

Information Systems Fund - This fund is used to account for the accumulation of capital and distribution of costs associated with information systems equipment.

Building Maintenance Fund - This fund is used to account for the accumulation of capital and distribution of costs associated with operating Town facilities.

TOWN OF DAVIE, FLORIDA

COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2002

| | <u>Vehicle Maintenance</u> | <u>Self- Insurance</u> | <u>Information Systems</u> | <u>Building Maintenance</u> | <u>Total</u> |
|--|--------------------------------|----------------------------|--------------------------------|---------------------------------|----------------------|
| <u>ASSETS</u> | | | | | |
| Current assets: | | | | | |
| Pooled cash and cash equivalents | \$ 5,196,163 | \$ 5,365,550 | \$ 301,461 | \$ 425,964 | \$ 11,289,138 |
| Receivables | 12,059 | 38,300 | - | - | 50,359 |
| Prepaid items | - | 277,000 | 174,483 | - | 451,483 |
| Inventory | <u>15,579</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,579</u> |
| Total assets | 5,223,801 | 5,680,850 | 475,944 | 425,964 | 11,806,559 |
| Capital assets: | | | | | |
| Buildings and equipment, net | <u>2,389,399</u> | <u>-</u> | <u>774,784</u> | <u>88,509</u> | <u>3,252,692</u> |
| Total assets | <u>7,613,200</u> | <u>5,680,850</u> | <u>1,250,728</u> | <u>514,473</u> | <u>15,059,251</u> |
| <u>LIABILITIES</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | 151,587 | 2,656 | 124,120 | 13,778 | 292,141 |
| Estimated insurance claims | - | 599,386 | - | - | 599,386 |
| Bonds payable | <u>25,000</u> | <u>-</u> | <u>56,000</u> | <u>-</u> | <u>81,000</u> |
| Total current liabilities | 176,587 | 602,042 | 180,120 | 13,778 | 972,527 |
| Noncurrent liabilities: | | | | | |
| Bonds payable | <u>25,000</u> | <u>-</u> | <u>168,000</u> | <u>-</u> | <u>193,000</u> |
| Total liabilities | <u>201,587</u> | <u>602,042</u> | <u>348,120</u> | <u>13,778</u> | <u>1,165,527</u> |
| <u>NET ASSETS</u> | | | | | |
| Investment in capital assets, net of related debt | 2,339,399 | - | 550,784 | 88,509 | 2,978,692 |
| Unrestricted | <u>5,072,214</u> | <u>5,078,808</u> | <u>351,824</u> | <u>412,186</u> | <u>10,915,032</u> |
| Total net assets | <u>\$ 7,411,613</u> | <u>\$ 5,078,808</u> | <u>\$ 902,608</u> | <u>\$ 500,695</u> | <u>\$ 13,893,724</u> |

TOWN OF DAVIE, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS

YEAR ENDED SEPTEMBER 30, 2002

| | <u>Vehicle Maintenance</u> | <u>Self- Insurance</u> | <u>Information Systems</u> | <u>Building Maintenance</u> | <u>Total</u> |
|-------------------------------|--------------------------------|----------------------------|--------------------------------|---------------------------------|----------------------|
| Operating revenues: | | | | | |
| Charges for services | \$ 3,374,458 | \$ 3,168,459 | \$ 939,597 | \$ 275,996 | \$ 7,758,510 |
| Operating expenses: | | | | | |
| Personal services | - | - | 374,850 | - | 374,850 |
| Maintenance | 1,162,789 | - | 373,209 | 249,578 | 1,785,576 |
| Insurance | 201,608 | 1,712,105 | - | - | 1,913,713 |
| Claims | - | 473,600 | - | - | 473,600 |
| Administrative | - | 55,371 | - | - | 55,371 |
| Depreciation and amortization | 560,677 | - | 259,112 | 27,334 | 847,123 |
| Total operating expenses | <u>1,925,074</u> | <u>2,241,076</u> | <u>1,007,171</u> | <u>276,912</u> | <u>5,450,233</u> |
| Operating income (loss) | <u>1,449,384</u> | <u>927,383</u> | <u>(67,574)</u> | <u>(916)</u> | <u>2,308,277</u> |
| Nonoperating expenses: | | | | | |
| Interest expense | (3,819) | - | (4,149) | - | (7,968) |
| Loss on sale of assets | (18,825) | - | (581) | - | (19,406) |
| Total nonoperating expenses | <u>(22,644)</u> | <u>-</u> | <u>(4,730)</u> | <u>-</u> | <u>(27,374)</u> |
| Change in net assets | 1,426,740 | 927,383 | (72,304) | (916) | 2,280,903 |
| Net assets, October 1 | <u>5,984,873</u> | <u>4,151,425</u> | <u>974,912</u> | <u>501,611</u> | <u>11,612,821</u> |
| Net assets, September 30 | <u>\$ 7,411,613</u> | <u>\$ 5,078,808</u> | <u>\$ 902,608</u> | <u>\$ 500,695</u> | <u>\$ 13,893,724</u> |

-

TOWN OF DAVIE, FLORIDA

STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

YEAR ENDED SEPTEMBER 30, 2002

| | <u>Vehicle Maintenance</u> | <u>Self- Insurance</u> | <u>Information Systems</u> | <u>Building Maintenance</u> | <u>Total</u> |
|--|--------------------------------|----------------------------|--------------------------------|---------------------------------|----------------------|
| Cash flows from operating activities: | | | | | |
| Cash received from service charges | \$ 3,374,404 | \$ 3,130,159 | \$ 939,597 | \$ 275,996 | \$ 7,720,156 |
| Cash paid to suppliers | (1,372,496) | (2,519,105) | (388,416) | (244,028) | (4,524,045) |
| Cash paid to employees | - | - | (367,133) | - | (367,133) |
| Net cash provided by operating activities | <u>2,001,908</u> | <u>611,054</u> | <u>184,048</u> | <u>31,968</u> | <u>2,828,978</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Principal reduction of long-term debt | (25,000) | - | (56,000) | - | (81,000) |
| Acquisition and construction of capital assets | (867,835) | - | (296,593) | (6,250) | (1,170,678) |
| Proceeds from issuance of long-term debt | - | - | 280,000 | - | 280,000 |
| Interest paid on long-term debt | (4,906) | - | (4,149) | - | (9,055) |
| Net cash used in capital and related financing activities | <u>(897,741)</u> | <u>-</u> | <u>(76,742)</u> | <u>(6,250)</u> | <u>(980,733)</u> |
| Net increase in pooled cash and cash equivalents | 1,104,167 | 611,054 | 107,306 | 25,718 | 1,848,245 |
| Pooled cash and cash equivalents, October 1 | <u>4,091,996</u> | <u>4,754,496</u> | <u>194,155</u> | <u>400,246</u> | <u>9,440,893</u> |
| Pooled cash and cash equivalents, September 30 | <u>\$ 5,196,163</u> | <u>\$ 5,365,550</u> | <u>\$ 301,461</u> | <u>\$ 425,964</u> | <u>\$ 11,289,138</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Operating income (loss) | <u>\$ 1,449,384</u> | <u>\$ 927,383</u> | <u>\$ (67,574)</u> | <u>\$ (916)</u> | <u>\$ 2,308,277</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation | 560,677 | - | 259,112 | 27,334 | 847,123 |
| Loss on sale of assets | 18,825 | - | 581 | - | 19,406 |
| Change in assets and liabilities: | | | | | |
| Increase in receivables | (1,683) | (38,300) | - | - | (39,983) |
| Decrease in inventory | 544 | - | - | - | 544 |
| (Increase) decrease in prepaid items | 27,758 | (277,000) | (15,023) | 395 | (263,870) |
| Increase (decrease) in accounts payable and accrued liabilities and compensated absences | <u>(53,597)</u> | <u>(1,029)</u> | <u>6,952</u> | <u>5,155</u> | <u>(42,519)</u> |
| Total adjustments | <u>552,524</u> | <u>(316,329)</u> | <u>251,622</u> | <u>32,884</u> | <u>520,701</u> |
| Net cash provided by operating activities | <u>\$ 2,001,908</u> | <u>\$ 611,054</u> | <u>\$ 184,048</u> | <u>\$ 31,968</u> | <u>\$ 2,828,978</u> |

FIDUCIARY FUNDS

Fiduciary trust funds are used to account for assets held by the government in a trustee capacity.

Police Employees Pension Trust Fund - This fund is used to account for the accumulation of resources for pension benefit payments to qualified police employees of the Town of Davie.

Firefighters Pension Fund – This fund is used to account for the accumulation of resources for pension benefit payments to qualified firefighter employees of the Town of Davie.

TOWN OF DAVIE, FLORIDA
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2002

| | <u>Police Pension</u> | <u>Firefighters Pension</u> | <u>Total</u> |
|---|---------------------------|---------------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Pooled cash and cash equivalents | \$ 2,305,864 | \$ 233,243 | \$ 2,539,107 |
| Receivables: | | | |
| Interest and dividends | 149,730 | 120,811 | 270,541 |
| Contributions | - | 515,993 | 515,993 |
| Due from broker | - | 178,345 | 178,345 |
| Investments, at fair value | <u>29,440,881</u> | <u>18,435,045</u> | <u>47,875,926</u> |
| Total assets | <u>31,896,475</u> | <u>19,483,437</u> | <u>51,379,912</u> |
| <u>LIABILITIES</u> | | | |
| Prepaid Town contributions | 17,095 | - | 17,095 |
| Due to broker | 1,162,690 | 97,676 | 1,260,366 |
| Accounts payable | 51,025 | - | 51,025 |
| DROP payable | <u>1,325,975</u> | <u>2,145,849</u> | <u>3,471,824</u> |
| Total liabilities | <u>2,556,785</u> | <u>2,243,525</u> | <u>4,800,310</u> |
| Net assets held in trust for pension benefits | <u>\$ 29,339,690</u> | <u>\$ 17,239,912</u> | <u>\$ 46,579,602</u> |

TOWN OF DAVIE, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

YEAR ENDED SEPTEMBER 30, 2002

| | <u>Police Pension</u> | <u>Firefighters Pension</u> | <u>Total</u> |
|---|---------------------------|---------------------------------|----------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Town | \$ 1,666,786 | \$ 936,863 | \$ 2,603,649 |
| Plan members | 497,133 | 201,506 | 698,639 |
| State | <u>394,388</u> | <u>361,512</u> | <u>755,900</u> |
| Total contributions | <u>2,558,307</u> | <u>1,499,881</u> | <u>4,058,188</u> |
| Investment income: | | | |
| Net depreciation in fair value of investments | (4,288,709) | (2,470,719) | (6,759,428) |
| Interest and dividends | <u>965,916</u> | <u>682,402</u> | <u>1,648,318</u> |
| | (3,322,793) | (1,788,317) | (5,111,110) |
| Less investment expenses | <u>195,290</u> | <u>90,413</u> | <u>285,703</u> |
| Net investment loss | <u>(3,518,083)</u> | <u>(1,878,730)</u> | <u>(5,396,813)</u> |
| Total additions | <u>(959,776)</u> | <u>(378,849)</u> | <u>(1,338,625)</u> |
| DEDUCTIONS | | | |
| Benefits | 967,190 | 993,700 | 1,960,890 |
| Refund of contributions | - | 7,160 | 7,160 |
| Administrative expenses | <u>107,303</u> | <u>110,839</u> | <u>218,142</u> |
| Total deductions | <u>1,074,493</u> | <u>1,111,699</u> | <u>2,186,192</u> |
| Change in net assets | (2,034,269) | (1,490,548) | (3,524,817) |
| Net assets, October 1 | <u>31,373,959</u> | <u>18,730,460</u> | <u>50,104,419</u> |
| Net assets, September 30 | <u>\$ 29,339,690</u> | <u>\$ 17,239,912</u> | <u>\$ 46,579,602</u> |

STATISTICAL SECTION

TOWN OF DAVIE, FLORIDA

TABLE 1

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS (1)

| Fiscal Year | Governmental Activities | | | | | | | | Business-type Activities | | Total |
|----------------|-------------------------------|---|--------------------|-------------------------|---------------|------------------------|-------------------------------------|---|--------------------------------|--------------------|---------------|
| | <u>General Government</u> | <u>Develop- mental Services</u> | <u>Engineering</u> | <u>Public Works</u> | <u>Police</u> | <u>Fire Rescue</u> | <u>Parks and Recreation</u> | <u>Interest on Long-Term Debt</u> | <u>Water and Sewer</u> | <u>Aquaculture</u> | |
| 1999 | \$ 2,905,407 | \$ 3,385,610 | \$ 168,819 | \$ 2,066,774 | \$ 15,525,304 | \$ 7,820,451 | \$ 4,945,341 | \$ 2,038,608 | \$ 7,220,249 | \$ 188,538 | \$ 46,265,101 |
| 2000 | 3,359,067 | 4,142,512 | 218,069 | 2,606,620 | 16,362,859 | 7,892,772 | 5,377,743 | 2,237,853 | 7,413,851 | 193,486 | 49,804,832 |
| 2001 | 3,906,989 | 5,051,261 | 8,745 | 2,250,859 | 19,192,972 | 9,468,076 | 7,334,706 | 2,029,540 | 7,908,209 | 314,427 | 57,465,784 |
| 2002 | 4,293,745 | 5,933,961 | 301,427 | 1,943,438 | 21,178,189 | 10,684,060 | 8,238,172 | 1,471,005 | 7,970,124 | 60,259 | 62,074,379 |

(1) Information for fiscal years ended September 30, 1992 to 1998 are unavailable.

The Town implemented GASB Statement No. 34 for the fiscal year ended September 30, 1999.

TOWN OF DAVIE, FLORIDA

TABLE 2

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS (1)

| Fiscal Year | Program Revenues | | | General Revenues | | | | | |
|----------------|----------------------------|---|---|------------------|--|--|-----------|---------------|---------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Taxes (2) | Unrestricted Investment Earnings | Grants and Contributions not Restricted to Specific Programs | Transfers | Miscellaneous | Total |
| 1999 | \$ 13,917,021 | \$ 4,089,011 | \$ 2,143,943 | \$ 25,966,400 | \$ 2,328,774 | \$ 5,246,280 | \$ - | \$ 324,732 | \$ 54,016,161 |
| 2000 | 14,832,964 | 4,008,134 | 1,664,537 | 29,984,967 | 3,477,939 | 5,448,111 | - | 873,148 | 60,289,800 |
| 2001 | 15,921,176 | 3,825,465 | 442,339 | 33,446,419 | 3,001,096 | 5,591,650 | (832,999) | 598,517 | 61,993,663 |
| 2002 | 10,098,204 | 3,982,149 | 1,547,226 | 35,999,722 | 742,935 | 6,383,304 | - | 606,394 | 59,359,934 |

(1) Information for fiscal years ended September 30, 1992 to 1998 are unavailable.

The Town implemented GASB Statement No. 34 for the fiscal year ended September 30, 1999.

(2) Taxes include property taxes, utility taxes and franchise taxes.

TOWN OF DAVIE, FLORIDA

TABLE 3

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1) LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Culture and Recreation</u> | <u>Capital Outlay</u> | <u>Debt Service</u> | <u>Total</u> |
|------------------------|-------------------------------|--------------------------|-------------------------|---------------------------------------|---------------------------|-------------------------|--------------|
| 1993 | \$4,386,036 | \$ 12,538,950 | \$ 1,637,248 | \$2,220,623 | \$ 22,871 | \$ 2,805,467 | \$23,611,195 |
| 1994 | 5,264,934 | 15,404,878 | 1,309,548 | 2,445,666 | 121,508 | 20,766,676 (2) | 45,313,210 |
| 1995 | 4,845,326 | 15,704,167 | 1,372,102 | 2,608,614 | 401,589 | 4,130,473 | 29,062,271 |
| 1996 | 5,558,561 | 17,725,911 | 1,502,800 | 2,817,915 | 1,102,864 | 4,187,894 | 32,895,945 |
| 1997 | 5,746,424 | 19,849,215 | 1,623,524 | 3,187,507 | 1,493,511 | 4,856,002 | 36,756,183 |
| 1998 | 6,105,652 | 21,305,069 | 1,919,879 | 3,711,885 | 1,115,204 | 5,099,924 | 39,257,613 |
| 1999 | 6,791,670 | 23,164,889 | 2,069,393 | 3,994,131 | 1,194,372 | 5,572,975 | 42,787,430 |
| 2000 | 7,545,544 | 24,396,575 | 2,664,354 | 4,243,039 | 1,039,451 | 6,775,530 | 46,664,493 |
| 2001 | 4,170,642 | 29,433,205 | 2,866,365 | 4,911,032 | 488,280 | 7,617,503 | 49,487,027 |
| 2002 | 9,462,060 | 32,188,929 | 2,521,228 | 5,446,681 | 990,529 | 7,346,176 | 57,955,603 |

(1) Includes General Fund only

(2) Debt service for the year includes amounts relating to refinancing of existing Town debt.
Portion related to refinancing was \$17,250,000 in 1994.

TOWN OF DAVIE, FLORIDA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1) LAST TEN FISCAL YEARS

TABLE 4

| Fiscal Year | Ad Valorem <u>Taxes</u> | Utility <u>Taxes</u> | Franchise <u>Fees</u> | Licenses and <u>Permits</u> | Inter- <u>Governmental</u> | Charges for <u>Services</u> | Fines and <u>Forfeitures</u> | Roadway <u>Assessment</u> | Fire Rescue <u>Assessment</u> | Interest and <u>Miscellaneous</u> | <u>Total</u> |
|----------------|-------------------------------|-------------------------|--------------------------|-----------------------------------|-------------------------------|-----------------------------------|------------------------------------|------------------------------|-------------------------------------|---|---------------|
| 1993 | \$ 9,114,355 | \$ 4,753,214 | \$ 3,380,758 | \$ 1,298,242 | \$ 5,024,417 | \$ 1,031,658 | \$ 565,613 | \$ 1,202,027 | \$ - | \$ 1,361,708 | \$ 27,731,992 |
| 1994 | 9,858,226 | 4,819,039 | 3,782,850 | 2,014,879 | 4,675,301 | 1,432,591 | 556,409 | - | - | 1,689,657 | 28,828,952 |
| 1995 | 10,201,973 | 4,912,082 | 3,830,909 | 2,076,693 | 5,783,414 | 1,438,288 | 1,296,827 | - | - | 2,292,486 | 31,832,672 |
| 1996 | 10,854,249 | 5,287,878 | 4,193,150 | 2,347,517 | 6,128,817 | 1,639,660 | 1,144,352 | - | - | 2,388,522 | 33,984,145 |
| 1997 | 11,937,524 | 5,814,706 | 4,664,620 | 2,554,959 | 6,831,009 | 1,844,483 | 1,018,672 | - | 1,119,581 | 2,704,182 | 38,489,736 |
| 1998 | 13,557,730 | 6,121,911 | 4,548,644 | 3,195,318 | 7,383,242 | 2,447,620 | 1,084,761 | - | 1,243,466 | 2,828,030 | 42,410,722 |
| 1999 | 14,631,099 | 6,660,567 | 4,674,734 | 3,842,647 | 7,949,627 | 3,038,327 | 1,260,104 | - | 1,268,290 | 3,135,465 | 46,460,860 |
| 2000 | 16,639,030 | 7,107,217 | 5,600,751 | 4,196,511 | 8,318,761 | 3,567,836 | 1,468,091 | - | 1,217,161 | 4,462,821 | 52,578,179 |
| 2001 | 18,754,486 | 7,610,816 | 6,279,562 | 3,485,333 | 7,780,589 | 4,034,801 | 1,237,809 | | 1,530,279 | 3,676,071 | 54,389,746 |
| 2002 | 20,165,636 | 9,179,260 | 5,560,921 | 3,980,727 | 9,565,842 | 4,462,648 | 1,139,464 | - | 1,654,108 | 2,514,541 | 58,223,147 |

(1) Includes General Fund only

TOWN OF DAVIE, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE 5

| Fiscal <u>Year</u> | Total Tax <u>Levy</u> | Current Tax <u>Collection</u> | Percentage of Total Tax Collections to Tax <u>Levy</u> | Delinquent Tax <u>Deductions</u> | Total Tax <u>Collections</u> | Ratio of Total Tax Collections to Total Tax Levy | Outstanding Delinquent <u>Taxes</u> | Ratio of Total Delinquent Taxes to Total Tax Levy |
|-----------------------|-----------------------------|-------------------------------------|---|--|------------------------------------|--|---|--|
| 1993 | 9,060,609 | 8,932,307 | 98.6% | 34,663 | 8,966,970 | 99.0% | 408,982 | 4.5% |
| 1994 | 9,839,901 | 9,662,020 | 98.2 | 104,072 | 9,766,092 | 99.2 | 507,741 | 5.2 |
| 1995 | 10,127,463 | 10,063,092 | 99.4 | 53,383 | 10,116,475 | 99.9 | 482,401 | 4.8 |
| 1996 | 10,692,663 | 10,633,023 | 99.4 | 52,273 | 10,685,296 | 99.9 | 595,761 | 5.6 |
| 1997 | 12,320,333 | 12,149,371 | 98.6 | 30,522 | 12,179,893 | 98.9 | 746,351 | 6.1 |
| 1998 | 13,986,795 | 13,898,455 | 99.4 | 26,194 | 13,924,649 | 99.6 | 787,578 | 5.6 |
| 1999 | 15,353,024 | 15,257,581 | 99.4 | 18,113 | 15,275,694 | 99.5 | 858,804 | 5.6 |
| 2000 | 17,639,407 | 17,523,255 | 99.3 | 22,546 | 17,545,801 | 99.5 | 929,706 | 5.3 |
| 2001 | 19,786,104 | 19,715,688 | 99.6 | 32,769 | 19,748,457 | 99.8 | 920,757 | 4.6 |
| 2002 | 21,380,015 | 21,247,535 | 99.2 | 29,334 | 21,276,869 | 99.5 | 1,040,258 | 4.8 |

TOWN OF DAVIE, FLORIDA

TABLE 6

ASSESSED AND ESTIMATED ACTUAL VALUE OF ALL TAXABLE PROPERTY LAST TEN FISCAL YEARS

| Fiscal Year | <u>Real Property</u> | | <u>Personal Property</u> | | <u>Total</u> | | Ratio of Total Assessed Value to Total Estimated Actual Value (2) | Real and Personal Property (1) | Taxable Value |
|----------------|-----------------------|------------------------------|--------------------------|------------------------------|-------------------|------------------------------|--|--------------------------------------|------------------|
| | Assessed Value (1) | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Estimated Actual Value (2) | | |
| 1993 | \$ 2,250,242,329 | \$ 2,305,576,157 | \$ 153,764,435 | \$ 157,545,528 | \$ 2,404,006,764 | \$ 2,463,121,685 | 97.6% | \$ 569,920,497 | \$ 1,834,086,267 |
| 1994 | 2,376,883,509 | 2,470,772,878 | 167,753,376 | 174,379,809 | 2,544,636,885 | 2,645,152,687 | 96.2% | 591,260,263 | 1,953,376,622 |
| 1995 | 2,532,275,130 | 2,610,384,450 | 201,308,976 | 201,308,976 | 2,733,584,106 | 2,811,693,426 | 97.2% | 612,739,522 | 2,120,844,584 |
| 1996 | 2,685,825,500 | 2,839,139,006 | 201,885,245 | 213,409,350 | 2,887,710,745 | 3,052,548,356 | 94.6% | 649,968,442 | 2,237,742,303 |
| 1997 | 2,909,679,640 | 2,984,286,810 | 214,912,128 | 220,422,695 | 3,124,591,768 | 3,204,709,505 | 97.5% | 702,221,635 | 2,422,370,133 |
| 1998 | 3,125,419,230 | 3,147,451,390 | 224,706,394 | 226,290,427 | 3,350,125,624 | 3,373,741,817 | 99.3% | 662,983,850 | 2,687,141,774 |
| 1999 | 3,363,676,250 | 3,425,332,230 | 226,755,470 | 230,911,884 | 3,590,431,720 | 3,656,244,114 | 98.2% | 686,332,720 | 2,904,099,000 |
| 2000 | 3,783,319,830 | 3,772,003,818 | 231,035,298 | 230,344,265 | 4,014,355,128 | 4,002,348,083 | 100.3% | 751,813,790 | 3,262,541,338 |
| 2001 | 4,226,479,170 | 4,402,582,468 | 265,237,253 | 276,288,805 | 4,491,716,423 | 4,678,871,273 | 96.0% | 788,620,150 | 3,703,096,273 |
| 2002 | 4,625,896,210 | 4,508,095,257 | 312,361,327 | 309,268,640 | 4,938,257,537 | 4,817,363,897 | 101.0% | 829,896,150 | 4,108,361,387 |

(1) Source: Broward County Property Appraiser

(2) Source: State of Florida Ad Valorem Taxation

TOWN OF DAVIE, FLORIDA

TABLE 7

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS (1) LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Town of Davie</u> | <u>County Commission</u> | <u>School Board</u> | <u>South Water Management</u> | <u>Children's Services</u> | <u>Broward Hospital</u> | <u>Florida Navigation District (2)</u> | <u>Total</u> |
|------------------------|------------------------------|------------------------------|-------------------------|---------------------------------------|--------------------------------|-----------------------------|--|--------------|
| 1993 | 5.6001 | 8.1327 | 9.8197 | 0.5970 | - | 2.1823 | (2) | 26.3318 |
| 1994 | 5.3086 | 8.0343 | 10.0259 | 0.5970 | - | 2.1132 | 0.0490 | 26.1280 |
| 1995 | 5.3586 | 8.1165 | 10.0366 | 0.6470 | - | 2.1132 | 0.0400 | 26.3119 |
| 1996 | 5.5378 | 7.7524 | 9.9400 | 0.6720 | - | 2.1132 | 0.0380 | 26.0534 |
| 1997 | 5.8378 | 7.8380 | 9.9745 | 0.6970 | - | 2.1132 | 0.0500 | 26.5105 |
| 1998 | 5.7589 | 7.5710 | 9.7256 | 0.6970 | - | 2.1132 | 0.0470 | 25.9127 |
| 1999 | 6.0089 | 7.5710 | 9.1283 | 0.6970 | - | 2.0831 | 0.0440 | 25.5323 |
| 2000 | 6.0089 | 7.5250 | 8.9553 | 0.6970 | - | 1.9939 | 0.0410 | 25.2211 |
| 2001 | 5.7911 | 7.4005 | 8.7541 | 0.6970 | 0.3055 | 1.8694 | 0.0385 | 24.8561 |
| 2002 | 5.7442 | 7.3650 | 8.8825 | 0.6970 | 0.3316 | 1.7336 | 0.0385 | 24.7924 |

(1) Basis for property tax rates is per \$1,000 assessed value.

(2) Information unavailable.

TOWN OF DAVIE, FLORIDA

TABLE 8

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2002

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>Taxable Valuation</u> | <u>Percentage of Total Assessed Valuation</u> |
|----------------------------|---------------------------------|------------------------------|---|
| Anrx Corp & Subsidiaries | Pharmaceutical | \$ 49,943,130 | 1.02% |
| Flordia Power & Light Co. | Utility | 33,930,343 | 0.69% |
| Equity One, Inc | Mortgage Loan Co. | 32,378,990 | 0.66% |
| Tri County Plaza Assoc Ltd | Property Management | 29,952,810 | 0.61% |
| Palm Trace Landings | Housing | 22,773,573 | 0.47% |
| Hacienda Cove LLC | Housing | 21,315,220 | 0.44% |
| Southern Bell Telephone Co | Telecommunication | 20,025,599 | 0.41% |
| Florida Auto Auction | Auto Sales (Auctions) | 19,822,770 | 0.41% |
| Megaplex Nini Inc. | Movie Theaters | 19,684,400 | 0.40% |
| Archstone Communities | Property Management | 19,075,910 | 0.39% |
| | | <u>\$ 268,902,745</u> | <u>5.50%</u> |

Source: Broward County Revenue Collecting Division - List of Top Taxpayers

TOWN OF DAVIE, FLORIDA

TABLE 9

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS

LAST TEN FISCAL YEARS (1)

| <u>Fiscal Year</u> | <u>Special Assessment Billings</u> | <u>Special Assessments Collected</u> |
|------------------------|--|--|
| 1997 | \$ 1,160,717 | \$ 1,150,722 |
| 1998 | 1,287,684 | 1,286,094 |
| 1999 | 1,245,305 | 1,242,011 |
| 2000 | 1,263,879 | 1,261,251 |
| 2001 | 1,591,847 | 1,591,094 |
| 2002 | 1,711,565 | 1,709,917 |

(1) Since fiscal year 1997 was the initial year for the Fire Rescue Assessment, earlier years are not presented here since billings and collections for all previous years were \$0.

TOWN OF DAVIE, FLORIDA

TABLE 10

RATIO OF NET GENERAL OBLIGATION BONDED DEBT AND OTHER GENERAL BONDS AND NOTES PAYABLE TO TAXABLE VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Population (1)</u> | <u>Taxable Value (2)</u> | <u>Net Bonded Debt (3)</u> | <u>Ratio of Net Bonded Debt to Taxable Value</u> | <u>Net Bonded Debt Per Capita</u> | <u>Non-General Obligation General Bonds and Notes Payable</u> | <u>Total Debt</u> | <u>Ratio of Total Debt to Taxable Value</u> | <u>General Bonds and Notes Payable Per Capita</u> |
|------------------------|---------------------------|----------------------------------|--|--|---|---|-----------------------|---|---|
| 1993 | 52,332 | \$ 1,834,086,267 | \$ 10,000,000 | 0.5% | \$ 191 | \$ 21,946,804 | \$ 31,946,804 | 1.7% | \$ 610 |
| 1994 | 53,400 | 1,953,376,622 | 10,000,000 | 0.5% | 187 | 24,635,372 | 34,635,372 | 1.8% | 649 |
| 1995 | 54,611 | 2,120,844,584 | 10,000,000 | 0.5% | 183 | 22,342,441 | 32,342,441 | 1.5% | 592 |
| 1996 | 59,393 | 2,237,742,303 | 10,000,000 | 0.4% | 168 | 22,397,508 | 32,397,508 | 1.4% | 545 |
| 1997 | 61,182 | 2,422,370,133 | 19,800,000 | 0.8% | 324 | 24,439,094 | 44,239,094 | 1.8% | 723 |
| 1998 | 61,799 | 2,687,141,774 | 19,566,896 | 0.7% | 317 | 21,545,066 | 41,111,962 | 1.5% | 665 |
| 1999 | 66,985 | 2,904,099,000 | 29,282,347 | 1.0% | 437 | 18,137,405 | 47,419,752 | 1.6% | 708 |
| 2000 | 67,529 | 3,262,544,338 | 30,514,122 | 0.9% | 452 | 19,547,494 | 50,061,616 | 1.5% | 741 |
| 2001 | 75,720 | 3,703,096,273 | 29,669,873 | 0.8% | 392 | 14,888,583 | 44,558,456 | 1.2% | 588 |
| 2002 | 78,688 | 4,108,361,387 | 28,753,201 | 0.7% | 365 | 19,950,922 | 48,704,123 | 1.2% | 619 |

(1) From Table 12.

(2) From Table 4.

(3) Amount does not include revenue bonds.

TOWN OF DAVIE, FLORIDA

TABLE 11

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GOVERNMENTAL ACTIVITIES TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

LAST TEN FISCAL YEARS
(IN THOUSANDS)

| <u>Fiscal Year</u> | <u>Principal (1)</u> | <u>Interest (2)</u> | <u>Total Debt Service</u> | <u>Total General Governmental Expenditures (1, 3)</u> | <u>Ratio of Debt Service to General Governmental Expenditures</u> |
|------------------------|--------------------------|-------------------------|-----------------------------------|---|---|
| 1993 | \$ 1,289,099 | \$ 1,516,368 | \$ 2,805,467 | \$ 23,611,195 | 11.9% |
| 1994 | 2,011,432 | 1,505,244 | 3,516,676 | 28,063,210 | 12.5% |
| 1995 | 2,292,932 | 1,837,541 | 4,130,473 | 29,062,271 | 14.2% |
| 1996 | 2,544,933 | 1,642,961 | 4,187,894 | 32,895,945 | 12.7% |
| 1997 | 2,958,414 | 1,897,588 | 4,856,002 | 36,756,183 | 13.2% |
| 1998 | 3,127,132 | 1,972,792 | 5,099,924 | 39,257,613 | 13.0% |
| 1999 | 3,817,210 | 1,755,765 | 5,572,975 | 42,787,430 | 13.0% |
| 2000 | 4,333,135 | 2,442,395 | 6,775,530 | 46,664,493 | 14.5% |
| 2001 | 5,478,161 | 2,139,342 | 7,617,503 | 49,487,027 | 15.4% |
| 2002 | 5,773,333 | 1,559,675 | 7,333,008 | 57,995,603 | 12.6% |

(1) Excludes principal payments made during refinancings.

(2) Excludes bond issuance and other costs

(3) Includes General Fund only.

TOWN OF DAVIE, FLORIDA

TABLE 12

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT (1) GENERAL OBLIGATION BONDS

SEPTEMBER 30, 2002

| <u>Jurisdiction</u> | Net General Obligation Bonded Debt <u>Outstanding</u> | Percentage Applicable to <u>Government</u> | Amount Applicable to <u>Government</u> |
|---------------------|--|---|---|
| Direct: | | | |
| Town of Davie | \$ 28,753,201 | <u>100.0%</u> | \$ 28,753,201 |
| Overlapping: | | | |
| County Commission | 361,205,000 | 4.5% | 16,254,225 |
| School Board | <u>149,948,717</u> | 4.5% | <u>6,747,692</u> |
| | <u>\$ 539,906,918</u> | | <u>\$ 51,755,118</u> |

(1) The Town of Davie has no debt limits.

TOWN OF DAVIE, FLORIDA

TABLE 13

REVENUE BOND COVERAGE WATER AND SEWER DIVISION

LAST TEN FISCAL YEARS

| Fiscal Year | Gross Revenues (1) | Operating Expenses (2) | Net Revenues Available for Debt Service | Pledged Revenues Available for Debt Service | Debt Service Requirements (3) | | | Net Revenue Coverage | Pledged Revenue Coverage |
|----------------|--------------------------|------------------------------|--|--|-------------------------------|--------------|-------------|----------------------------|--------------------------------|
| | | | | | Principal | Interest | Total | | |
| 1993 | \$ 6,060,645 | \$2,873,745 | \$3,186,900 | \$7,748,216 | \$1,119,972 | \$ 1,935,184 | \$3,055,156 | 1.04 | 2.54 |
| 1994 | 6,576,135 | 3,129,221 | 3,446,914 | 7,669,216 | 630,000 | 2,282,924 | 2,912,924 | 1.18 | 2.63 |
| 1995 | 7,395,977 | 2,826,161 | 4,569,816 | 9,448,226 | 470,000 | 2,265,484 | 2,735,484 | 1.67 | 3.45 |
| 1996 | 8,557,867 | 3,221,223 | 5,336,644 | 9,539,144 | 490,000 | 2,247,204 | 2,737,204 | 1.95 | 3.48 |
| 1997 | 8,759,178 | 3,241,087 | 5,518,091 | 10,700,432 | 890,000 | 2,216,221 | 3,106,221 | 1.78 | 3.44 |
| 1998 | 7,869,501 | 3,190,446 | 4,679,055 | 9,822,023 | 930,000 | 2,171,581 | 3,101,581 | 1.51 | (4) 3.17 |
| 1999 | 6,994,953 | 3,315,684 | 3,679,269 | 10,090,884 | 975,000 | 2,126,758 | 3,101,758 | 1.19 | (4) 3.25 |
| 2000 | 7,023,766 | 3,596,644 | 3,427,122 | 9,948,243 | 1,025,000 | 2,075,976 | 3,100,976 | 1.11 | (4) 3.21 |
| 2001 | 7,073,372 | 4,205,238 | 2,868,134 | 10,301,116 | 1,075,000 | 2,020,839 | 3,095,839 | 0.93 | (4) 3.33 |
| 2002 | 7,073,372 | 4,205,238 | 2,868,134 | 11,458,553 | 1,135,000 | 1,960,855 | 3,095,855 | 0.93 | (4) 3.70 |

(1) Gross revenues include interest income.

(2) Total operating exclusive of depreciation and amortization.

(3) Includes principal and interest of revenue bonds only. It does not include debt defeasance transactions.

(4) In March 1988, the Town adopted an overall rate reduction of 28%, resulting in reduced net revenue coverage.

TOWN OF DAVIE, FLORIDA

TABLE 14

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

| Fiscal Year | Population (1) | Per Capital Income Broward County (2) | Median Age (2) | Public School Enrollment (3) | Unemployment Rate (4) |
|----------------|-------------------|--|----------------------|---------------------------------------|-----------------------------|
| 1993 | 52,332 | \$ 23,000 | 32.6 | 13,448 | 7.3 |
| 1994 | 53,400 | 16,747 | 32.6 | 14,041 | 5.7 |
| 1995 | 54,611 | 16,747 | 32.0 | 12,811 | 5.1 |
| 1996 | 59,393 | 19,737 | 35.2 | 13,147 | 5.3 |
| 1997 | 61,182 | 26,192 | 38.9 | 13,692 | 4.1 |
| 1998 | 61,799 | 21,491 | 38.0 | 16,065 | 4.1 |
| 1999 | 66,985 | 22,433 | 36.6 | 16,884 | 3.7 |
| 2000 | 67,529 | 22,882 | 37.0 | 17,521 | 4.2 |
| 2001 | 75,720 | 22,755 | 37.0 | 18,193 | 4.4 |
| 2002 | 78,688 | 23,383 | 35.6 | 16,285 | 5.7 |

(1) Source: Local Government Financial Information Handbook.

(2) Source: U.S. Census Bureau.

(3) Source: Broward County School Board 20th Day Membership Report

(4) Source: Florida Department of Labor and Employment Security.

TOWN OF DAVIE, FLORIDA

TABLE 15

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS LAST TEN FISCAL YEARS

| Fiscal Year | Real and Personal Property Value (1) | | Exemptions (1) | | Net Real Property Value | | New Commercial Construction (2) Number of Units Valuation | | New Residential Construction (2) Number of Units Valuation | | Bank Deposits (3) | |
|----------------|---|---------------|-------------------|-------------|----------------------------------|---------------|--|-------------|---|----|-------------------------|--------------------|
| | | | | | | | | | | | | |
| 1993 | \$ | 2,404,006,764 | \$ | 569,920,497 | \$ | 1,834,086,267 | 10 | \$8,771,620 | 763 | \$ | 71,184,088 | \$ - (4) |
| 1994 | | 2,544,636,885 | | 591,260,263 | | 1,953,376,622 | 15 | 7,955,360 | 1,060 | | 103,802,246 | 11,869,599,000 (5) |
| 1995 | | 2,733,584,106 | | 612,739,522 | | 2,120,844,584 | 34 | 21,249,954 | 893 | | 71,955,135 | 13,613,773,000 (5) |
| 1996 | | 2,887,710,745 | | 649,968,442 | | 2,237,742,303 | 23 | 7,300,798 | 973 | | 88,311,259 | 13,541,832,000 (5) |
| 1997 | | 3,124,591,768 | | 702,221,635 | | 2,422,370,133 | 25 | 18,181,514 | 381 | | 50,058,315 | 13,689,973,000 (5) |
| 1998 | | 3,350,125,624 | | 662,983,850 | | 2,687,141,774 | 38 | 9,837,460 | 588 | | 111,675,647 | 13,747,758,000 (5) |
| 1999 | | 3,590,431,720 | | 686,332,720 | | 2,904,099,000 | 46 | 51,799,840 | 765 | | 108,133,302 | 14,747,331,000 (5) |
| 2000 | | 4,014,355,128 | | 751,813,790 | | 3,262,541,338 | 82 | 36,990,007 | 751 | | 88,180,290 | 14,861,878,000 (5) |
| 2001 | | 4,491,716,423 | | 788,620,150 | | 3,703,096,273 | 32 | 58,122,726 | 427 | | 43,740,491 | 16,114,187,000 (5) |
| 2002 | | 4,938,257,537 | | 829,896,150 | | 4,108,361,387 | 40 | 39,776,694 | 496 | | 58,542,367 | 26,307,559,000 (5) |

(1) Source: From Table 4.

(2) Source: Town of Davie Building Department.

(3) Source: Florida Bankers Association

(4) Source: Information unavailable.

(5) Source: Information is no longer available for just the Town, but for the entire County.

TOWN OF DAVIE, FLORIDA

TABLE 16

MISCELLANEOUS STATISTICAL DATA

SEPTEMBER 30, 2002

| | |
|--|-----------------------|
| Date of incorporation | November 16, 1925 |
| Date of reincorporation | September 19, 1961 |
| Form of government | Council-Administrator |
| Number of employees (excluding police and fire): | |
| Classified | 664 |
| Exempt | 4 |
| Population | 78,688 |
| Area | 34.5 square miles |
| Town of Davie facilities and services: | |
| Miles of paved streets | 276.5 |
| Miles of roads repaved | 8 |
| Miles of new roads paved | 1.6 |
| Number of street lights | 3,561 |
| Culture and recreation: | |
| Community centers | 9 |
| Parks | 31 |
| Park acreage | 535 |
| Open space acreage | 280 |
| Ball fields | 32 |
| Playgrounds | 21 |
| Special facilities | 5 |
| Fire protection: | |
| Number of stations | 4 |
| Number of fire personnel and officers | 96 |
| Number of calls answered | 11,733 |
| Number of inspections conducted | 4,432 |
| Police protection: | |
| Number of stations | 1 |
| Number of police personnel and officers | 227 |
| Number of patrol units | 150 |
| Number of law violations: | |
| Physical arrests | 2,357 |
| Citations issued | 14,160 |

TOWN OF DAVIE, FLORIDA
MISCELLANEOUS STATISTICAL DATA
(Continued)

TABLE 16
(Continued)

SEPTEMBER 30, 2002

| | |
|---|------------------|
| Code Compliance: | |
| Inspections and investigations | 4,475 |
| Correction notices issued | 2,851 |
| Code enforcement board/special master cases | 897 |
| Building permits issued (new construction) | 496 |
| Occupational licenses issued | 5,261 |
| Sewerage system: | |
| Miles of gravity sewer lines | 63 |
| Miles of effluent discharge lines (ocean outfall) | 7 |
| Miles of force mains | 24 |
| Number of treatment plant sites | 1 |
| Number of manholes | 1,429 |
| Number of service connections | 6,406 |
| Daily average treatment in gallons | 2.9 MGD |
| Maximum daily capacity of plant in gallons | 4.9 MGD |
| Water system: | |
| Miles of water mains | 144 |
| Number of service connections | 8,521 |
| Daily average consumption in gallons | 3.8 MGD |
| Maximum daily capacity of plant in gallons | 7.4 MGD capacity |
| Number of water plant sites | 2 |
| Meetings: | |
| Town Council | 41 |
| Site Plan Committee | 20 |
| Planning and Zoning Board | 20 |
| Charter Review Board | n/a |
| Other | 176 |
| Public Education: | |
| Number of schools | 12 |
| Number of enrolled students | 16,285 |

TOWN OF DAVIE, FLORIDA

TABLE 17

CUSTOMERS AND RATE SCHEDULE - WATER AND SEWER DIVISION

SEPTEMBER 30, 2002

| | <u>Water</u> | <u>Sewer</u> |
|---|--------------|--------------|
| CUSTOMERS | | |
| Residential | 3,391 | 1,763 |
| Multi unit residential and mobile homes | 3,512 | 3,301 |
| Commercial | <u>1,618</u> | <u>1,342</u> |
| | <u>8,521</u> | <u>6,406</u> |

| | <u>Monthly Base Service Charge (0 Gallons)</u> | |
|--|--|--------------|
| | <u>Water</u> | <u>Sewer</u> |
| RATE SCHEDULE | | |
| Residential: | | |
| Single family | 8.80 | 10.99 |
| Multi unit - including duplexes, townhomes, etc. (per dwelling unit) | 8.15 | 10.20 |
| Mobile homes (per dwelling unit) | 7.53 | 9.48 |

Plus a water charge of \$1.37 per each 1,000 gallons consumed.

Plus a sewer charge of \$1.71 per each 1,000 gallons disposed to a maximum of 15,000 gallons per dwelling unit.

Other than residential (excluding institutional customers and irrigation meters):

| | | |
|-------------|--------|--------|
| Meter size: | | |
| 3/4 or less | 8.80 | 10.99 |
| 1" | 41.76 | 52.20 |
| 1 1/2" | 72.71 | 90.89 |
| 2" | 165.30 | 206.63 |
| 3" and over | * | * |

Institutional customers:

| | | |
|-------------|--------|--------|
| Meter size: | | |
| 3/4 or less | 9.55 | 11.94 |
| 1" | 45.41 | 56.74 |
| 1 1/2" | 79.03 | 98.81 |
| 2" | 179.38 | 224.61 |
| 3" and over | * | * |

Irrigation meters:

| | |
|--|------|
| Minimum, up to 1 ERC (Equivalent Residential Connection) - 350 G.P.D. | 8.83 |
| For each additional ERC - 350 G.P.D. (as calculated by the Utility Department) | 8.83 |

(*) By agreement only

Plus a water charge of \$1.37 per each 1,000 gallons consumed.

TOWN OF DAVIE, FLORIDA

TABLE 18

SCHEDULE OF INSURANCE IN FORCE

SEPTEMBER 30, 2002

1. General Liability / Automobile Liability - Florida Municipal Insurance Trust - Policy No. FMIT 130

LIMIT: Each person - \$100,000
Each occurrence - \$200,000

SPECIFIC EXCESS: \$1,000,000

DEDUCTIBLE: \$0

2. Real / Personal Property - Florida Municipal Insurance Trust - Policy No. FMIT 130

LIMIT: Varies per location/item

DEDUCTIBLE: \$1,000

3. Pollution Liability - Reliance National - Policy No. NTL2510728

LIMIT: Each loss - \$2,000,000
Total for all losses - \$4,000,000

DEDUCTIBLE: \$25,000

4. Boiler and Machinery - Hartford Steam Boiler - Policy No. FBP-AT-9450256

LIMIT: Direct damage - \$7,000,000 (per accident)
a. Demolition - \$500,000
b. CFC refrigerants - \$200,000
c. Expediting expenses - \$200,000
d. Hazardous substances - \$100,000
Business income including extra expense - \$100,000 (per accident)

DEDUCTIBLE: \$1,000 (except direct damage: \$25/HP on all air and refrigeration systems
\$1.00/KVA for transformers/miscellaneous electrical equipment)

5. Storage Tank Third Party Liability/Corrective Action - Florida Petroleum Liability - Policy No. FPL 7508538

LIMIT: Each incident - \$1,000,000
Aggregate - \$1,000,000

DEDUCTIBLE: \$10,000

6. Floor - American Bankers - Policy Nos.: ARF 0258024; ARF 0158594; ARF 0158593; ARF 0258022;
ARF 0257596; ARF 0258023; ARF 0257597

LIMIT: Various per location

DEDUCTIBLE: \$1,000

COMPLIANCE SECTION

**Report of Independent Certified Public Accountants on
Compliance and Internal Control over Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida

We have audited the basic financial statements of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2002, and have issued our report thereon dated November 14, 2003. We did not audit the financial statements of the Town of Davie Police Employees Pension Trust Fund or the Town of Davie Firefighters' Pension Plan, which together represent 100% of the assets and revenues of the fiduciary fund totals, which are included in the fund financial statements. Those financial statements were audited by other independent auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan, are based solely on the report of other auditors. Our report herein does not address their respective internal control or compliance. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 02-1, 02-2, 02-3 and 02-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida
Page Two

This report is intended solely for the information and use of the Mayor, Town Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Fort Lauderdale, Florida
November 14, 2003

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida

We have audited the basic financial statements of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2002, and have issued a report thereon dated November 14, 2003. We did not audit the financial statements of the Town of Davie Police Officers Retirement System or the Town of Davie Firefighters' Pension Plan which together represent 100% of the assets and revenues of the fiduciary fund totals, which are included in the fund financial statements. Those statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for the Police Employees Pension Trust Fund and the Firefighters' Pension Plan, are based solely upon the reports of the other independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program, Summary Schedule of Prior Audit Findings and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated November 14, 2003, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the Town for the year ended September 30, 2002, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Governmental Entity Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(g):

1. No inaccuracies, shortages, defalcations, fraud or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit, except as presented in the accompanying schedule of findings and questioned costs.
2. The Town, during fiscal year 2002, was not in a state of financial emergency as defined by Florida Statute, Section 218.503 (1). The Town has a fund deficit in the Aquaculture enterprise fund for the past five years. This deficit will be funded with available fund equity from the Community Endowment Trust Fund.
3. Recommendations made in the preceding annual financial audit report were addressed except as presented in the accompanying schedule of findings and questioned costs.

4. Recommendations to improve the Town's present financial management and accounting procedures are accompanying this report in the schedule of findings and questioned costs.
5. During the course of our audit, nothing came to our attention that caused us to believe that the Town:
 - a. Was in violation of any laws, rules or regulations and contractual provisions except as presented in the accompanying schedule of findings and questioned costs.
 - c. Made any illegal or improper expenditures.
 - d. Had improper or inadequate accounting procedures.
 - e. Failed to record financial transactions which could have a material effect on the Town's basic financial statements.
 - f. Had other inaccuracies, shortages, defalcations and instances of fraud.
6. The Town was not in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. This finding is presented in the accompanying schedule of findings and questioned costs.
7. The annual financial report for the year ended September 30, 2002 has been filed with the Department of Financial Services pursuant to Section 218.32 Florida Statutes and is in agreement with the audited financial statements of the same period.
8. The Town was incorporated by Laws of Florida 61-2056; the Town's component unit, the Davie Community Redevelopment Agency was established May 4, 1988 by Ordinance 88-23.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment, which was performed as of the Town's fiscal year end, was based on representations made by management and the review of financial information provided by the Town. There were no findings regarding deteriorating financial conditions.

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida
Page Three

This report is intended solely for the information and use of the Mayor, Town Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Fort Lauderdale, Florida
November 14, 2003

**Report of Independent Certified Public Accountants on
Compliance with Requirements Applicable to Each Major Federal Awards Program
and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida

Compliance

We have audited the compliance of the Town of Davie, Florida (the Town) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal awards program for the year ended September 30, 2002. The Town's major federal awards program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal awards program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal awards program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

As described in item 02-5 in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding the submission of the reporting package to the Federal Single Audit Clearinghouse that is applicable to its major federal awards program. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town complied, in all material aspects, with the requirements referred to above that are applicable to its major federal awards program for the year ended September 30, 2002.

Honorable Mayor, Town Council and Town Administrator
Town of Davie, Florida
Page Two

Internal Control over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on major federal awards programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal awards program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, Town Council, management and the grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Fort Lauderdale, Florida
November 14, 2003

TOWN OF DAVIE , FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

| <u>Federal Agency/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Grant Number</u> | <u>Expenditures</u> |
|---|------------------------------------|-------------------------------------|----------------------------|
| <u>DIRECT FEDERAL PROGRAMS</u> | | | |
| <i>Justice & Treasury Forfeiture Program - Federal Equitable Sharing</i> | N/A | N/A | <u>\$ 477,948</u> |
| <i>U.S. Department of Housing and Urban Development</i> | | | |
| Community Development Block Grant | 14.218 | B-99-MC-12-044 | 81,780 |
| Community Development Block Grant | 14.218 | B-00-MC-12-044 | 386,617 |
| Community Development Block Grant | 14.218 | B-01-MC-12-044 | <u>175,242</u> |
| | | | <u>643,639</u> |
| <i>U.S. Department of Justice</i> | | | |
| Cops More Grant | 16.710 | 2000-CM-WX-0277 | 204,588 |
| Law Enforcement Block Grant | 16.592 | 2000-LB-VX-0240 | 62,977 |
| Law Enforcement Block Grant | 16.592 | 2000-LB-VX-2157 | 79,492 |
| Law Enforcement Block Grant | 16.592 | 2000-LB-BX-0953 | 65,218 |
| Law Enforcement Block Grant | 16.592 | 2000-LB-BX-0786 | 263 |
| Bulletproof Vest Partnership Grant | 16.607 | 2002 Award | <u>1,131</u> |
| | | | <u>413,669</u> |
| <i>FEDERAL PASS THROUGH PROGRAMS</i> | | | |
| <i>U.S. Department of Community Affairs</i> | | | |
| Pass-Through State of Florida Department of Community Affairs | | | |
| Federal Emergency Management Agency (FEMA) - Flood Mitigation | 83.516 | 01-FM-6T-11-23-15-008 | <u>4,630</u> |
| <i>U.S. Department of Transportation</i> | | | |
| Pass-Through State of Florida Department of Transportation | | | |
| Car Seat Grant | 20.605 | FO-02-20-14 | <u>10,552</u> |
| <i>U.S. Department of Interior</i> | | | |
| Pass-Through State of Florida Department of Environmental Protection | | | |
| 61st Ave. Park, LWCF | 15.916 | N/A | <u>72,236</u> |
| <i>TOTAL OF EXPENDITURES OF FEDERAL AWARDS</i> | | | <u>\$ 1,622,674</u> |

N/A = Not Available

TOWN OF DAVIE, FLORIDA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Davie and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF DAVIE, FLORIDA

SCHEDULE OF STATE AND COUNTY ASSISTANCE

FISCAL YEAR ENDED SEPTEMBER 30, 2002

| <u>Agency/ Program Title</u> | <u>Grant Number</u> | <u>Expenditures</u> |
|--|---------------------|-------------------------|
| <i>State of Florida Assistance:</i> | | |
| <u>State Department of Health</u> | | |
| Emergency Medical Services Grant | EM123 | \$28,274 |
| Emergency Medical Services Grant | M2121 | 72,310 |
| <u>State Housing Finance Agency</u> | | |
| Pass through Broward County Community Development Division: SHIP Grant | N/A | 32,790 |
| <u>State Department of Legal Affairs and Attorney General</u> | | |
| Motor Vehicle Theft Prevention Grant | 00-015-01 | 22,220 |
| <u>State Department of Education</u> | | |
| Summer Food | 04-0723 | <u>7,884</u> |
| Total State of Florida Assistance | | <u>\$163,478</u> |
| <i>Broward County Assistance:</i> | | |
| Broward County Cultural Affairs Council | CAE11-2001 | \$20,000 |
| Broward County Transit, Davie Community Bus | N/A | 136,120 |
| Challenge Grant, Safe Parks and Land Preservation | DAV-C-001 | 354,362 |
| Challenge Grant, Swim Central | DAV-S-001 | <u>200,000</u> |
| Total Broward County Assistance | | <u>\$710,482</u> |

TOWN OF DAVIE, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

PRIOR YEAR COMMENTS AND STATUS

The following addresses the status of financial statement findings reported in the September 30, 2001 schedule of findings and questioned costs.

Matters that are repeated in the accompanying schedule of findings and questioned costs:

- 01-1 Compliance – reporting – bond and finance agreements (see Item 02-1)
- 01-2 Compliance – reporting – Florida (see Item 02-2)
- 01-3 Compliance – investment policy (see Item 02-3)
- 01-4 Other matter – internal service funds – net assets (see Item 02-4)

The following addresses the status of federal awards findings reported in the September 30, 2001 schedule of findings and questioned costs:

Matters that are repeated in the accompanying schedule of findings and questioned costs:

- 01-5 Compliance – reporting (see Item 02-5)

Matters that are not repeated in the accompanying schedule of findings and questioned costs:

- 01-6 Compliance – reporting (Florida Single Audit)

TOWN OF DAVIE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FEDERAL AWARDS PROGRAMS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified not considered to be
Material weakness?

_____ yes X none

Noncompliance material to financial statements noted?

 X yes _____ no

Federal Awards Programs

Internal Control over major federal awards programs:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified not considered to be
Material weakness?

_____ yes X none

Type of auditor's report issued on compliance for major federal awards
Programs:

Qualified Opinion

Any audit findings disclosed that are required to be reported in
accordance with Circular A-133, Section .510(a)?

 X yes _____ no

Identification of major federal awards programs:

Federal Program

CFDA No.

Community Development Block Grant

14.218

Dollar threshold used to distinguish between Type A and
Type B programs:

 \$300,000

Auditee qualified as low risk auditee for audit of federal awards
program?

 X Yes _____ No

TOWN OF DAVIE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance

02-1 Reporting – Bond and Finance Agreements

The Town's bond and finance agreements require that a copy of the annual audited financial statements of the Town, its most recent capital improvement plan and operating budget, and its Comprehensive Annual Financial Report be delivered to the bondholders within one hundred eighty (180) days of the end of the fiscal year; that date was March 31, 2003. The Town expects to deliver the abovementioned reports during February 2004. The Town was not in compliance with this requirement for the audit period ended September 30, 2002. This is a repeat finding from the prior year.

Recommendation

We recommend that the Town comply with their reporting requirements of their bond and finance agreements.

02-2 Reporting – Florida

The Town is required to submit the annual financial audit to the Auditor General and the Annual Financial Report to the Florida Department of Financial Services within 45 days of completion of the audit, but no later than 12 months after fiscal year end. The Town did not file its annual financial audit or its Annual Financial Report for the fiscal year ended September 30, 2002 with the Auditor General or the State Department of Financial Services by September 30, 2003 and therefore was not in compliance with these requirements. This is a repeat finding from the prior year.

Recommendation

We recommend that the Town comply with the requirements of the Auditor General and the Florida Department of Financial Services. Noncompliance matters with the State of Florida increases the risk that the Town could lose or incur delays in receipt of state revenue sharing funds.

02-3 Investment Policy

The Town is required to maintain its investment activity consistent with a written investment plan adopted by the Town's Council in accordance with Section 218.415, Florida Statutes. Such investment policy must include certain items listed in subsections (1) – (16) of the statute. The Town does have a written investment policy, however, it does not conform to the guidelines in Section 218.415, Florida Statutes. This is a repeat finding from the prior year.

Recommendation

We recommend that the Town comply with local government investment policies under Section 218.415, Florida Statutes.

TOWN OF DAVIE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Other Matter

02-4 Internal Service Funds – Net Assets

The Town has accumulated significant reserves in its internal service funds. These reserves have been increasing each year as charges to the departments include excess amounts to account for future repair and replacement of Town assets and potential future claims against the Town. However, the Town does not have a policy with regard to how much to accumulate or for what projects the reserves will be used. This is a repeat finding from the prior year.

Recommendation

We recommend that the Town implement a policy with regard to accumulated reserves in the internal service funds. This policy should document what the respective reserves specifically will be used for as well as setting limits as to how much to accumulate in net assets so as to not accumulate excess reserves. If it is determined that there are amounts reserved that are in excess of the Town's needs for future repair and replacement or for potential future claims, these amounts should be refunded back to the respective departments.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

02-5 Compliance - Reporting

In accordance with the Federal Single Audit Act, the Town is required to submit a reporting package that includes audited financial statements, a schedule of expenditures of federal awards including notes to that schedule, a summary schedule of prior audit findings, a schedule of findings and questioned costs, the auditor's reports, and a corrective action plan to the Federal Audit Clearinghouse designated by the OMB within the earlier of thirty (30) days after receipt of the auditors' reports or nine months after the end of the audit period; that date was June 30, 2003. The Town expects to file during February 2004. The Town has not met this requirement for the audit period ended September 30, 2002 and is at risk of losing current federal grant funds and the potential to lose future federal grant funds. This is a repeat finding from the prior year.

Recommendation

We recommend that the Town comply with timely submission of the Federal reporting package. If the report package cannot be submitted within the specified time period, the Town should request, in advance, a longer period for reporting from its oversight agency.



Administration 954-797-1030
Budget & Finance 954-797-1050
Development Services 954-797-1111
Engineering 954-797-1113
Fire Department 954-693-1211
Human Resources 954-797-1100
Planning & Zoning 797-1103

Parks & Recreation 954-797-1145
Police Department 954-693-8200
Public Works 954-797-1240
Special Projects 954-797-1153
Technology & Information 954-797-1107
Town Clerks 954-797-1023
Utilities 954-433-4000

TOWN OF DAVIE 6591 Orange Drive, Davie, Florida 33314-3399 (954) 797-1000

The following is the Town's response to the issues brought forward in the external auditor's schedule of findings.

Auditor Comment

The Town's bond and finance agreements require that a copy of the annual audited financial statements of the Town, its most recent capital improvement plan and operating budget, and its Comprehensive Annual Financial Report be delivered to the bondholders within one hundred eighty (180) days of the end of the fiscal year; that date was March 31, 2003. The Town expects to deliver the above mentioned reports during February 2004. The Town was not in compliance with this requirement for the audit period ended September 30, 2002. This is a repeat finding from the prior year.

Town Response

The Town's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2002, was late being issued for two reasons. First, the Town cannot issue its report until it has received the audited annual financial statements of the Firefighter Pension Fund. The Firefighter Pension Fund auditor is hired by, and reports to, the Firefighter Pension Board rather than the Town and the report was not completed and delivered to the Town until well past the March 31, 2003, deadline. Secondly, the Budget and Finance Department experienced unusual employee vacancies in two key positions during fiscal year 2002 including the Budget and Finance Director position. The Budget and Finance Director position was filled subsequent to year end. For next year, the Town will communicate the importance of timely receipt of the audited financial statements to the Firefighter Pension Board and, once the department is fully staffed, work will be able to be completed in a timelier manner.

Auditor Comment

The Town is required to submit the annual financial audit to the Auditor General and the Annual Financial Report to the Florida Department of Financial Services within 45 days of completion of the audit, but no later than 12 months after fiscal year end. The Town did not file its annual financial audit or its Annual Financial Report for the fiscal year ended September 30, 2002 with the Auditor General or the Florida Department of Financial Services by September 30, 2003 and therefore was not in compliance with these requirements. This is a repeat finding from the prior year.

Town Response

The Town's report was delayed for the reasons described in the Town's response to the preceding auditor comment. The Town anticipates full compliance with all reporting requirements next year.

Auditor Comment

The Town is required to maintain its investment activity consistent with a written investment plan adopted by the Town's Council in accordance with Section 218.415, Florida Statutes. Such investment policy must include certain items listed in subsections (1) - (16) of the Statute. The Town does have a written investment policy; however, it does not conform to the guidelines in Section 218.415, Florida Statutes. This is a repeat finding from the prior year.

Town Response

All Town investments are held in allowable types of investments under Florida Statutes. However, the Town agrees that the written investment policy needs to be reviewed and updated to comply with the requirements of Florida Statute 218.415.

Auditor Comment

The Town has accumulated significant reserves in its internal service funds. These reserves have been increasing each year as charges to the departments include excess amounts for future repair and replacement of Town assets and potential future claims against the Town. However, the Town does not have a policy with regard to how much to accumulate or for what projects the reserves will be used. This is a repeat finding from the prior year.

Town Response

The two internal service funds which have built up sizable reserves are the Vehicle Maintenance Fund and the Self Insurance Fund. Although no written policy exists, these funds have been reviewed by the Town and an approved course of action is being taken. The Town's adopted five year capital project plan includes a Public Works Compound Expansion project with over \$1 million approved to be funded by the existing Vehicle Maintenance Fund reserves. Also, during fiscal year 2002 the Town Council approved the Town's switching back to a self insured plan for employee health insurance coverage, a decision based in part on the availability of reserves in the Self Insurance Fund. Therefore, it is important that the Town maintain an adequate reserve in this fund.

Auditor Comment

In accordance with the Federal Single Audit Act, the Town is required to submit a reporting package that includes audited financial statements, a schedule of expenditures of federal awards including notes to that schedule, a summary schedule of prior audit findings, a schedule of findings and questioned costs, the auditor's reports, and a corrective action plan to the Federal Audit Clearinghouse designated by the OMB within the earlier of thirty (30) days after receipt of the auditors' reports or nine months after the end of the audit period; that date was June 30, 2003. The Town expects to file during February 2004. The Town has not met this requirement for the audit period ended September 30, 2002 and is at risk of losing current federal grant funds and the potential to lose future federal grant funds. This is a repeat finding from the prior year.

Town Response

The Town's report was delayed for the reasons described in the Town's response to the first auditor comment. The Town anticipates full compliance with all reporting requirements next year.